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HISPANIC AMERICAN REPORT

BOLIVIA IN 1956

LOIS DEICKE MARTIN

SPECIAL ISSUE [1958]

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The *Report* is based on a wide variety of sources, some printed, such as newspapers, and some unprinted. Informants who have recently returned from Spain, Portugal, or Latin America provide valuable facts and interpretations. The *Report* receives a steady flow of data from correspondents in the countries studied. All the information received is carefully assessed in terms of its source. For obvious reasons, the sources used are not revealed. The views expressed about any particular issue are those of the research group which has been studying that issue.

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BOLIVIA IN 1956

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Railroads

LOIS DEICKE MARTIN

BOLIVIA IN 1956

An Analysis of Political and Economic Events

HISPANIC AMERICAN STUDIES
STANFORD UNIVERSITY
STANFORD, CALIFORNIA

1958

FOREWORD

This monograph marks the beginning of a series of country studies covering a one-year period or, in certain cases, a ten-year span. It will be possible to make only a few such analyses, and the intention is to select critical places and periods in the history of Latin America, such as the Bolivia of 1956. These accounts will supplement the methodical country-by-country and month-by-month analysis provided by the HISPANIC AMERICAN REPORT. All our activities hang together, and these special numbers are, as it were, a second crop from the REPORT tree. The extreme care with which the REPORT is prepared--each issue is checked word by word some seventeen times--results in our accumulating a mass of accurate information which lack of space prevents our using in the regular issues of the REPORT, but which provides excellent raw materials for special studies such as this.

The material which pours in to the office of the REPORT every day is carefully sifted and analyzed, and then preserved in vertical files in the Hispanic American Archives room in the Stanford Library. These files are arranged by year, by month, and by country, so that the material on Bolivia, 1956, can be located with ease. Indeed, it is certain that it would take a hundred times as long to locate the same material following the usual library procedures. We believe that this methodical collecting, analyzing, and preserving of materials is an essential technique of international studies which has been neglected. Indeed, we are toying with the idea of expanding the coverage of the REPORT to include Europe and possibly other areas of the world.

Just as the Spanish conquistadores said that they had a malady for which gold was the specific remedy, so the REPORT workers have a hydropsy which can be satiated only with a constant flow of fresh reports from or about the areas within the REPORT's purview. We therefore appeal to all our friends to send us any material which they think would be of interest to us. We should for example like to receive constantly every piece of information about developments in Bolivia, especially airmailed clippings and other ephemera about the current history of the country. Do not throw away that newspaper article, that electoral pamphlet, that mimeographed manifesto; mail them to the Hispanic American Report, Stanford University, Stanford, California! Don't worry if the newspaper clipping reflects the viewpoint of the extreme right or the extreme left. We want to hear the sound of all the bells, as the French say.

The author of the monograph should be congratulated on her painstaking study, and on her behalf I should like to express our appreciation of the help given by Mr. Joseph C. Shirley, Assistant Editor of the REPORT. Our thanks likewise to Professor Joseph E. Williams of the Geography Department for preparing the maps which illustrate this number. We hope to publish in the REPORT more and more special maps by Professor Williams; they should do much to illuminate our research. Without the use of cartography the study of a foreign area is as nonsensical as it is without mastery of the language of the area. International studies in the United States tend to neglect geographical research; likewise, we produce that academic monster, the "specialist" in a foreign area who really does not know the language or languages of the region. Perhaps our language departments are to blame: whereas they use international affairs as a selling point in the highly competitive academic market, they continue in fact to conduct their affairs with what might be called a Three Bears psychology. Professor Torres-Rioseco of our International Advisory Board has expressed it succinctly: "The people who know something about Latin America do not know Spanish, and those who know Spanish do not know about Latin America."

Ronald Hilton
Editor

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CHAPTER I

POLITICAL EVENTS

The year 1956 marked the fourth anniversary of the 1952 revolution which finally brought to power the Movimiento Nacional Revolucionario (M.N.R.). In 1947, the M.N.R. was banned from the election, and its leaders were for the most part in exile or dead, but in 1951, although M.N.R. leader Víctor Paz Estenssoro remained in Buenos Aires, the party won a clear plurality. Before Congress could decide the winner, there being no majority, the army stepped in and a military junta kept the leading candidate out of the country. Eleven months later, in April 1952, a full-fledged revolution ousted the junta. Paz Estenssoro triumphantly returned to become President, and remained in office for a full four years.

Although officially recognized, the M.N.R. was viewed suspiciously in Washington and regarded as dangerously leftist during its first years in power; yet the revolutionary government weathered the storm of several abortive revolts and slowly gained the sympathy, if not the admiration, of the United States. The party had promised elections in 1956, but many doubted that the promise would be kept. Still more doubtful was the prospect of President Víctor Paz Estenssoro declining a second term in office, although the constitution forbade re-election. Yet the events of 1956 indicated that Bolivia under the M.N.R. might be on the road to achieving some degree of political maturity.

As early as August 1955 an official announcement set the presidential election date for May 1956. At that time Vice President Hernán Siles Zuazo, who a year later was to be inaugurated President, predicted that over one million voters would participate in the 1956 elections, as compared with 150,000 in 1951. As soon as the election was set, labor spokesmen surmised that Paz Estenssoro and Siles Zuazo would seek the presidential and vice-presidential re-election respectively. Their speculation proved wrong, however, when Paz Estenssoro announced the following December that he would not be a candidate. The President's announcement was prefixed by an exhortation to his partisans to "maintain the harmony and unity of the M.N.R."

Politics really came to the foreground in January 1956, however, when the M.N.R. held its seventh national convention. At the opening session, President Paz Estenssoro asked for the party's support of Vice President Siles Zuazo for the presidential candidacy and Nuflo Chávez Ortiz for the vice-presidential candidacy, and then summarized the accomplishments of his own administration.

Party consensus favored Siles Zuazo for the Presidency, but he at first declined the candidacy because of an undisclosed dispute with labor delegates. Later in the convention, however, when leaders of both the M.N.R. and the Central Labor Organization assured him of their acceptance of certain controversial conditions, Siles reversed his decision and accepted the nomination.

A leftward swerve by the M.N.R. was noticeable during the convention when a speech made by Foreign Minister Walter Guevara Arze was repudiated by Paz Estenssoro. In the speech, Guevara described himself as a "partisan of free enterprise within the limits imposed by the nation's realities." Juan Lechín, executive secretary of the Central Labor Organization, termed this confession "bourgeois," whereupon Guevara Arze countercharged that Lechín had instigated the 1949 attempt to seize the tin mines which resulted in old-regime troops shooting down miners. Lechín then drew up a convention resolution denouncing Guevara Arze for "inexact and tenuous statements." Siles Zuazo, whose election depended in part on Lechín's support, signed the resolution as did Paz Estenssoro, and Guevara Arze subsequently resigned as Foreign Minister. Manuel Barrau, Bolivian Ambassador to England, was appointed Foreign Minister to succeed Guevara Arze.

Dissension within the M.N.R. became apparent again in April. Siles Zuazo tentatively withdrew as presidential candidate following demands by the labor faction headed by Lechín for majority representation in the new Congress to be elected. Later Siles Zuazo conferred with Paz Estenssoro in an effort to reconcile party factions and agreed to resume the candidacy.

Early in the year, the government announced a new code for general elections which included the following provisions:

1. All citizens over 21, literate or illiterate, including women, Indians and soldiers were to vote.

2. Parties formed after January 31, 1955 had to prove membership of at least 5,000. Parties in existence prior to this date were exempt from the requirement.

3. Voting was to be by secret ballot.

4. Each party was to choose a color for printing of candidates' ballots and present a political program of basic laws and a plan of government.

The general elections, originally scheduled for May 1, were tentatively set for June 17, and President Paz Estenssoro predicted in no uncertain terms that they would be the freest and most honest elections the country had ever witnessed.

A pre-election reorganization of the cabinet by Paz Estenssoro included changes in six ministries. The Ministers of Education, Agriculture, and Mining left their posts to run for office in the national elections. The Ministers of Defense and Economics took diplomatic posts, and the Minister of Labor was replaced to meet the demands of labor organizations.

Meanwhile, in an effort to prove to everyone in and out of Bolivia that his administration offered more than a semblance of democracy, Paz Estenssoro proclaimed a general amnesty. Shortly before Christmas 1955, he had ordered the release of 135 political prisoners, including General Bernardino Bilbao Rioja, former presidential candidate of the opposition Falange Socialista Boliviana and had authorized the return to Bolivia of 106 political exiles. Amnesty to all remaining political prisoners and exiles was granted in March.

Among those released at that time were Gustavo Stumpf, second-in-command of the rightist Falange, and Guillermo Lora, head of the leftist Partido Obrero Revolucionario. Both leaders announced that their parties would participate in the elections. Bolivia's top exile, Oscar Unzaga de la Vega, chief of the Falange, returned to La Paz from Buenos Aires. In spite of these guarantees Desiderio Rivera, leader of the Unión Socialista Republicana, the official government party in 1951, asked for asylum in the Argentine Embassy in La Paz. His request was refused by Argentina on the grounds that complete tranquillity reigned in the city and in the country.

As soon as the amnesty was effected, opposition parties held nominating conventions and launched energetic campaigns. Barring a revolution, it was obvious from the beginning, however, that their chances at the polls were nil. The Falange nominated its leader Oscar Unzaga de la Vega as presidential candidate, with Mario Gutiérrez as vice-presidential running mate. The left-wing Partido Obrero Revolucionario, a Trotskyite organization, nominated Hugo González for the Presidency and Professor Fernando Bravo for the Vice Presidency. The Bolivian Communist Party's nominees were ex-Deputy Filipe Iñiguez for President and Jesús Lara for Vice President. The Communists were making arrangements for a meeting of Latin American Communist leaders to be held in La Paz. A Santiago dispatch said the meeting was designed to establish contact with the Bolivian Labor Confederation and set up a Communist propaganda program for all of Latin America. These three parties, along with the M.N.R., were the only ones officially registered with the Electoral Court. The Unión Socialista Republicana protested against the new electoral code and announced it would abstain. Other political organizations not registered were the Partido Social Cristiano and the Partido Revolucionario Popular.

As the election approached, efforts were made to inform citizens of their voting privileges and responsibilities. The Association of University Women of La Paz sponsored a series of radio lectures to tell women of their newly-won suffrage rights. The president of the National Electoral Court inaugurated the series, and several women lawyers spoke in subsequent lectures. Meanwhile, the government ordered all accredited notaries public to remain open from 8 a.m. to 6 p.m. daily and half-time on Sundays to permit every eligible citizen to register for the election. By the end of May 300,000 had registered.

While on the surface everything seemed to be going according to the government's wishes and predictions, discontent with the Paz Estenssoro administration was brewing throughout the nation and abroad. In a letter sent from Paris to the Christian Science Monitor, ex-Cabinet Minister Gastón Arduz Eguía blamed the ruling M.N.R. for ruining Bolivia socially and economically and leaving it at the mercy of American charity. Arduz Eguía claimed the leading force behind the party had always been the leftist Juan Lechín and his labor group.

Falangistas vehemently proclaimed that Bolivia was controlled by Communists in the same way that Guatemala had been just prior to Castillo Armas' revolution. Oscar Unzaga de la Vega denounced the M.N.R. for opposition to the free press and free schools, stirring up riots, and devaluating the boliviano. M.N.R. spokesmen declared just as emphatically that democracy prevailed. It was charged that the government had closed the opposition paper La Razón and that an M.N.R. mob had burned Los Tiempos of Cochabamba.

In reply to an Inter-American Press Association questionnaire, the Bolivian Press Secretary stated that no physical or moral coercion was used by the government to prevent the publication of La Razón, and that the indemnity paid to the owner of Los Tiempos of Cochabamba for the suppression of his newspaper was fair.

In May Hernán Roca, mayor of Guayaramerín and a prominent member of the M.N.R., was assassinated by members of the Falange. From Cochabamba, it was reported that the local seat of the Falange had been dynamited. The same week a student member of the Falange and a 24-year-old jeweler were killed, and approximately 150 people were injured in a clash between Falangistas and supporters of the M.N.R. in La Paz. Because of the tense situation, the government closed the university there for three days and appealed to all students and workers to avoid street fighting.

Several weeks later the Falange announced that one of its candidates for the Chamber of Deputies, Héctor Maldonado, had been granted asylum in the Argentine Embassy after his life had been threatened. Government spokesmen claimed that Maldonado could count on guarantees and that he was simply trying to undermine the administration. Also sheltered in the Argentine Embassy at this time was ex-Major Alberto Taborga, who gave no reason for seeking asylum.

It was not until shortly before the election, however, that the M.N.R.'s leadership was actually seriously threatened. A revolutionary plot to overthrow the government was revealed by General Edmundo Nogales and Colonel Cupertino Ríos, who said that Eduardo Messuti as agent of the Unión Socialista Republicana had proposed that they lead an uprising under the auspices of a revolutionary junta. Nogales declared that Messuti had offered him 30 million bolivianos and assured him that the rebel movement could rely on Argentina for arms and money. An article in the official newspaper, La Nación, later asserted that Argentine Foreign Minister Eugenio Blanco had promised 500,000,000 Argentine pesos to support establishment of a new regime in Bolivia. Once a friendly government was installed, it was charged Argentina would grant many types of economic aid in exchange for certain concessions, especially in Bolivian oil fields.

The junta was to include leaders of the Unión Socialista Republicana, Liberal, and Acción Democrática parties. Ríos stated that originally the Falange also intended to participate in the revolution, but no accord was reached, as Unzaga de la Vega did not attend any of the subversive meetings. Despite the onset of the elections, the government made no arrests immediately following the revelations but moved a militia of 3,000 peasants and miners into La Paz to put down any possible uprising. Meanwhile leaders of the plot took refuge in the Guatemalan, Chilean, and Argentine Embassies in La Paz.

Later retired Colonel Armando Monge, who unsuccessfully attempted suicide while being held at police headquarters, admitted he was the military leader of the conspiracy. The Argentine Government denied any official or unofficial implication in the plot, and, after the elections, the Bolivians involved in the conspiracy left the embassies where they had sought asylum to go into exile. A federal judge issued a list of participants in the plot who had to face trial for endangering the security of the nation and the lives of high government officials.

Meanwhile, Enrique Hertzog, former Bolivian President (Unión Socialista Republicana), who was also accused of being implicated in the alleged plot, denounced the government's charges. In a cablegram from Buenos Aires, where he was living, Hertzog said it was a "typical trick of this Communist dictatorship (the M.N.R.) to persecute the opposition and silence the protests of the people about their hunger and thirst." The former President asserted that it was natural that when the people were about to show their repudiation of the regime by abstaining from the election that a new revolutionary force should be invented.

Three days before the election, the M.N.R.'s only significant opposition, the Falange, withdrew all its candidates on the grounds that the government had rigged voting lists, confiscated Falange ballots, and hindered the Falange campaign. M.N.R. spokesmen retorted that Falange presidential candidate Unzaga de la Vega gave up simply because he realized he could not win. Since the Falange did not officially notify the Bolivian National Electoral Court of its withdrawal, it was still considered legally in the race. A communiqué issued by Falange leaders said that "despite the party's devotion to democracy, it could not continue in the campaign to legalize the fraud and imposition of a government without authority." At the same time Unzaga de la Vega, in a message to the nation, made the following proposals:

1. Postponement of elections for approximately two months.

2. Real and sincere "spiritual disarmament" of the government newspaper La Nación, along with the resignation of Minister of the Interior Federico Fortún and Chief of Political Control Colonel Claudio San Román.

3. Revision of the electoral statute to give minority parties representation in the Senate.

4. Access to mining and agricultural centers for all political parties.

5. Ample guarantees to the Falange so that it might stage demonstrations and hold public meetings.

6. Discontinuance of armed patrols.

7. Authorization of the Falange to revise and check the census of the country to avoid fraudulent registrations.

Despite predictions that the government would actually postpone the balloting again, elections did take place as scheduled on June 17. Although there were fears of acts of violence, the day proceeded with surprising tranquillity. As expected, Hernán Siles Zuazo and Nuflo Chávez Ortiz were elected President and Vice President respectively by an overwhelming majority. The M.N.R. also won 60 out of 68 seats in the Chamber of Deputies, and, in accord with electoral regulations, was therefore assured of all Senate seats. After the elections, the Bolivian National Electoral Court issued the following official tally of votes cast: M.N.R., 786,792; Falange, 130,494; Communists, 12,273; Partido Obrero Revolucionario, 2,329. The last two groups lost their legal status as political parties because they failed to obtain at least 4% of the total vote. The total number of registered voters was 1,119,047.

According to a New York Times correspondent, the balloting itself was an unusual spectacle. The nation's illiterate Indian farmers and their wives, voting for the first time in the nation's history, formed long lines to cast

their votes and swing the balance for the M.N.R. The government had assured a maximum of sobriety by forbidding the sale of alcoholic beverages 48 hours prior to the elections. Most polling areas presented a colorful sight as Indian women, wearing derbies or stovepipe hats, their infants strapped to their backs, were handed rose-colored ballot slips of the M.N.R. The same correspondent observed that in La Paz most booths had ballots for all parties entered in the race. However, voters in the interior apparently had a more limited choice. In the provincial town of Viacha, only 20 miles west of the capital, and in other rural communities, voters could choose only between the M.N.R. and the Communists. If someone wanted to vote differently, he was allowed to bring along his own slip.

The contest was closest in La Paz. Falangistas won in the center and south of the city, but in the provinces the vote gave a great majority to the M.N.R. The Falange made a fair showing in most of the other cities except for Trinidad, capital of Beni, where it received no votes.

The Falange derived its support largely from politicians who wanted to regain power, the more than 200,000 farmers who had been hard hit by land reform, the small middle class, and more than 500 ousted army officers. Its cause was strengthened in part by the country's constantly deteriorating economic situation. The waning Communist cause was supported to a large degree by Red anti-U.S. elements who had charged that the government was selling out to the "Yanquis."

The only violence on election day took place on the outskirts of the capital when a Uruguayan newspaperman was wounded as a group fired at his automobile. One of his attackers said the group had orders to shoot anyone not obeying orders to stop. Later one man was arrested.

The M.N.R. regime viewed the June 17 elections as one of its greatest accomplishments. Though the election was not perfect, it was a milestone in the history of the nation. Bolivian politics have been steeped in blood since colonial times. Few chief executives had ever completed their terms of office, and never before had there been universal suffrage. (Falangistas contended, however, that the country was not ready for this sweeping extension of the franchise.)

Bolivian Ambassador to Washington, Víctor Andrade, asserted repeatedly in speeches throughout the United States that the M.N.R. victory and the Communists' poor showing in the election were a diplomatic triumph for the U.S. Government which had loaned or granted Bolivia approximately $60 million since 1953. "The inability of the Communists to poll 4% of the vote in a poor country like Bolivia, a country hard hit by inflation, has shocked Communists all over the world," declared Andrade in an address to the Chicago Council on Foreign Relations. He added that events in Bolivia since 1952 had raised the prestige of the United States in all Latin America.

In a statement to the newspaper El Diario, victorious Siles Zuazo warned that public tranquillity and a future of clean democratic development depended upon the cooperation of the defeated political parties. He urged them to destroy the bonds that tied them to the past and to uphold the verdict of the people if they wished to be respected. Defeated Unzaga de la Vega remarked that he was not bitter about the election outcome and that he would propose a

plan for "coexistence between the government and the opposition." Two months later, the sincerity of this statement was to be seriously questioned.

The inauguration took place in August and was witnessed by 43 special delegates from foreign countries. In the Chamber of Deputies, retiring President Víctor Paz Estenssoro delivered to Hernán Siles Zuazo the presidential sash and the gold presidential medallion, made originally for Simón Bolívar. Although the ceremony itself was impressive, the inauguration drew the greatest significance from the fact that it was preceded by an election.

In his farewell address, Paz Estenssoro emphasized the fact that relations with the United States had been maintained on a level of exceptional cordiality and expressed gratitude for U.S. aid. Siles Zuazo, in his inaugural address, vowed to uphold the policies of his predecessor but realistically admitted that the tasks ahead of him were momentous.

The newly-elected 42-year-old President was the son of Hernán Siles, Bolivian President from 1926 to 1930. Though a President's son, Siles Zuazo literally had to fight his way to the top. Nearsighted, short, mild-mannered, and scholarly in appearance, he endured war and exile and led the bloody revolution in 1952. At 20 he was wounded in the Gran Chaco War with Paraguay. At 27 he helped found the M.N.R. During the next ten years he was exiled twice by anti-M.N.R. governments and fled the country two other times to escape imprisonment. In 1951 he reentered Bolivia to direct the campaign that broughta plurality to Víctor Paz Estenssoro. Later, after the army had nullified the election, and the military junta had taken control, Siles led the workers' uprising that defeated the military in three days of fierce civil warfare and brought Paz Estenssoro the Presidency and himself the Vice-Presidency. As Vice President from 1952 to 1956, Siles on occasion assumed the duties of Acting President when Paz Estenssoro went on official trips. He headed the Bolivian delegation to the United Nations, and, in July 1956, even before his inauguration, he attended the Conference of American Presidents in Panama. As he embarked upon his career as President of the Republic in August, Siles' toughest battle lay ahead, but he promised to undertake the necessary measures, however unpopular they might be, to help solve the country's many problems.

The new President included the following ministers in his cabinet: Foreign Affairs, Manuel Barrau; Interior, Arturo Fortún; Treasury, Hugo Moreno; Education, Fernando Díez de Medina; Defense, General Julio Prado; Public Works, Carlos Tovar; National Economy, Carlos Morales Guillén; Mines, Jorge Tamayo Ramos; Labor, Abel Ayoroa; Agriculture, José Cuadros Quiroga; Hygiene and Health, Dr. Juan Manuel Aramayo; Farm Labor Affairs, Alvaro Pérez del Castillo; Press, Marcial Tamayo. All were members of the Paz Estenssora cabinet except Tamayo, Fortún, Moreno, Morales Guillén and Cuadros Quiroga. The latter two were journalists who wrote the first platform of the M.N.R. in 1942. Tovar, Tamayo and Ayoroa were representatives of the Central Labor Organization. Ex-President Paz Estenssoro was appointed Ambassador to England.

For a brief period, it seemed that Bolivia was enjoying a kind of political freedom unequaled in her history. Siles told the United Press that during his first few weeks in office he had not only authorized a meeting of the Falange, but had ordered police to give all opposition parties complete

freedom of expression and assembly. According to Minister of the Interior Fortún, however, the President's "magnanimity" was interpreted by his enemies as weakness.

Perhaps Fortún was correct, for Siles had scarcely been in office a month when a sudden outburst of violence and bloodshed shook the country, causing the President to reverse his policy of pacification and to declare a nation-wide state of siege. The uprising began about six p.m. on September 22, when groups of women led by some 200 youths bearing posters and jute sacks initiated a hunger march in La Paz. The procession was soon joined by numerous men, some of whom wore the traditional white shirts of a Falange skirmish group called the "Camisas Blancas." The presence of these men substantiated the belief that the Falange had either organized or reinforced the march. President Siles, informed of the activities, at first gave orders not to break up the manifestation unless the demonstrators used firearms.

After marching down the main streets of La Paz, the rioters set fire to the buildings of the government's Illimani radio station and the Press Setretariat, demonstrated arms, attacked transit authorities, and then set fire to the Hinojosa Building, which housed the installations of the official daily newspaper, La Nación. All the offices of La Nación were destroyed, as well as some of the rooms of the international relief organization "CARE" which occupied the top floor of the building. Total damage was estimated at over $1 million. In retaliation, counterattackers then sacked the home of Falange leader Unzaga de la Vega.

Following the riots, in which at least five persons were killed and scores injured, Minister of the Interior Fortún declared that the government considered the Falange completely responsible for the manifestation, and suspected that the subversive activities were being directed by Carlos Aramayo, ex-president of the Aramayo Tin Mines which were seized by the M.N.R. government in 1952. Others blamed extreme leftist elements within the M.N.R. and the Central Labor Organization. Regardless of who was responsible for the uprising, the proceedings seemed to indicate a well-synchronized plan for seizing power.

To curb further violence, President Siles Zuazo announced that the government would be ruthless in maintaining order, and one M.N.R. deputy even suggested reopening forced labor camps. Over 200 persons were arrested for participation in the riots, and Falange leaders sought asylum in the various Latin American embassies in La Paz.

After the President's new policy of iron-hand rule was announced, 47 political prisoners being flown from Santa Cruz to the capital dramatically seized control of a government plane in mid-air and escaped to Argentina. Retired Colonel Andrés Salcedo Lanza, whose smuggled pistol led to the group's escape, disarmed a guard armed with a machine gun, while two other prisoners held the two other guards. Then the plane's pilot and two co-pilots surrendered the controls to Saúl Pinto Landívar, a commercial pilot among the prisoners, and he changed the course to south. The fugitives reported they were being sent to a concentration camp near La Paz and denied the government's contention that the hunger riots in La Paz had been prompted by the Falange. They said the crowds had demonstrated "because of

the misery and hunger that gripped Bolivia under the prevailing government." Foreign Minister Manuel Barrau denied that the prisoners were destined for a concentration camp and asserted that they would have been flown out of the country anyway. According to a New York Times reporter, Minister of the Interior Fortún was especially embarrassed by the prisoners' escape because he had been forewarned by President Siles Zuazo to guard against just such an incident. The President had once plotted a similar escape himself when he was a political prisoner in 1948.

In protest against the burning of La Nación, journalists' and printers' unions went on strike, and workers led by Juan Lechín, seized the building of shutdown opposition newspaper, La Razón. After an inventory of La Razón's facilities had been taken, Lechín advocated expropriation of the paper for official use. The Chamber of Deputies passed a law to this effect, but by the end of September the bill had not yet been passed by the Senate. In the midst of the political upheaval, labor chief Lechín suddenly resigned as Senate president, giving as reasons poor health and Senate failure to meet because of lack of a quorum. However, it appeared that the firm stand taken by moderate elements in the government in the case of the expropriation of La Razón was also a factor. President Siles Zuazo declared Lechín's resignation would not affect the composition or policies of the government in any way. Some had predicted months before that Siles Zuazo and Lechín would ultimately clash, creating a split in the ruling party.

Although by the end of September tranquillity again prevailed in Bolivia and the M.N.R. seemed confident it had sufficient popular support to maintain its leadership, freedom had given way to rigorous authoritarianism, and political prisoners and exiles were numerous. The government had taken the September uprising as an indication that opposition forces were unable to understand democracy and political guarantees.

Enemies of the regime were quick to label it a despotism. In a cable to U.S. presidential candidate Adlai Stevenson, José Gamarra, secretary of a branch of the Falange, sharply criticized the United States for aiding the M.N.R. government, which he termed bloody, sinister, and pro-Communist. Gamarra apparently wired Stevenson because of the latter's attacks on President Dwight D. Eisenhower's Latin American policy. Similar charges were leveled at Bolivia in Santiago, Chile by the Roman Catholic conservative newspaper Diario Illustrado, which said the United States had contributed to the downfall of the previous Bolivian Government in 1952.

Thus, for some, Siles Zuazo was a reactionary and, for others, he was a tool of the Communists. In a two-hour interview with a New York Times correspondent, the Bolivian President himself painted a grim picture of his country's affairs. He indicated that U.S. economic aid in greater volume would be drastically needed in the future. The alternative, he felt, would be that the State Department in Washington would have to negotiate in La Paz with either an inept rightist dictatorship or a chaotic regime headed by Trotskyite or Stalinist Communists. "A coalition of forces is necessary to surmount our grave problems," he said. That such a coalition could be effected in Bolivia's near future seemed doubtful.

During Siles' first few months in office his administration was forced to fight on many fronts. The fact that the President was able to surmount

the first big crisis of his term perhaps indicated that he was equal to the task of guiding the troubled republic through the four years that lay ahead.

Meanwhile, work was begun on the drafting of Bolivia's 15th constitution which was to legalize all major changes put into effect since the 1952 revolution. These included nationalization of the tin mines, agrarian reforms, and a militia made up of armed workers and peasants. The preamble to the constitution, which was to be edited chiefly by Vice President Nuflo Chávez Ortiz, read as follows:

> We, the representatives of the people--workers, farmers and revolutionaries of the middle class--are united in a general constituent assembly to consolidate the nation and put an end to monopoly and domination of big business over the Government.

CHAPTER II

GOVERNMENT FINANCE

Bolivia's national budget for 1956, totaling 74,045,850,089 bolivianos and allowing for a deficit of 1,527,732,176 bolivianos was approved March 23 by the Council of Ministers. About 15% of the budget was earmarked for the Ministry of Education and Fine Arts, 9% for the Defense Ministry, and 8% for the Ministry of Rural Affairs. This unbalanced budget provided for salary increases and food subsidies.

The boliviano, originally pegged at 190 to the U.S. dollar, continued to plunge sharply downward in value from month to month throughout the year. The free market exchange rate was 5,805 bolivianos to the dollar by the end of March. In September it had plummeted to 11,000 to the dollar and by the end of November it had hit an all-time low of 13,200 to the dollar. The disastrous monetary situation was due in part to the excess of imports over exports, and it grew alarmingly because the future seemed to hold no real promise of improvement.

The runaway inflation was accompanied by a series of strikes in which workers demanded wages proportionate with constantly rising prices. In May, airline, railroad, telephone, and electrical workers declared a walkout paralyzing transportation and power lines. The Railroad Workers' Federation demanded modification of certain social security legislation. A favorable agreement, including housing provisions and family allotments, was reached the same day. In May, 2,000 miners of the San José tin mines in Oruro also went on strike, demanding a 40% pay increase. They had received one 40% raise in March but considered it inadequate. Some attributed the unrealistic wage demands to Communist influence within the unions. These and numerous other strikes only sent the boliviano tumbling to greater depths.

A National Stabilization Council to study means of overcoming the inflation and generally strengthening the economy was formed in May in accordance with an agreement between the governments of the United States and Bolivia. Headed by the Bolivian President, it was to include representatives of the Ministries of Finance, Foreign Affairs, Economy, Mines, and Labor, and the presidents of the Central Bank of Bolivia, the Bolivian Mining Bank, and the Bolivian Mining Corporation. A three-man advisory commission was sent to La Paz from the United States on the request of the Bolivian Government to advise on stabilization matters and production increase and work with the National Stabilization Council. The U.S. advisory team was headed by George Eder of the International Telephone and Telegraph Corporation. Eder was also appointed executive secretary of the stabilization council. He expressed confidence that the nation's currency could be stabilized, although he warned that the Bolivian Government would have to make many bold decisions that might threaten its life before the economic objectives were reached. He explained that he would give only technical advice.

A decree on August 4 which officially established the National Stabilization Council provided that the Central Bank immediately stop issuance of

new currency, since bank note circulation had increased by almost 600% between 1953 and June 1956. Eder said that in addition to stopping the printing of money the government would eventually have to cut out the excess of imports over exports and re-establish its credit abroad.

The stabilization council hoped to get a multimillion dollar loan from the United States Treasury, the International Monetary Fund, the International Cooperation Administration, and a consortium of New York banks. The funds obtained were to be used as backing for a new Bolivian monetary unit to supplant the almost valueless boliviano. According to an October report from a New York Times correspondent, the council was acting on a three-phase plan to gain approval of the International Monetary Fund for the loan. As a first step, it was gathering and analyzing data on the financial position of the Bolivian Government and its agencies. This had to be accomplished before a mission from the Monetary Fund visited Bolivia at the end of October. Other steps in the first phase of the program included balancing of the budget and equalizing of Bolivia's foreign balance of payments. In the second phase, the council hoped to arrive at a satisfactory agreement on earlier Bolivian foreign debts. (Only a modest settlement was made by the Paz Estenssoro administration on a government debt to bondholders estimated at $59 million principal and $110 million interest in 1952.) Thirdly, the Council was expected to have the government arrive at some agreement with the owners of the three big tin mines nationalized in 1952. By October, the government had paid $9 million into a retention fund for expropriated properties, but no mutual agreement on overall terms had been reached. At the same time, the council advised the government to straighten out its system of false economics in various industries, particularly in mining. The system of fantastically cheap company commissaries required by law was expected to be abandoned.

In October, President Siles Zuazo himself began laying the groundwork for the currency reform by telling workers he was counting on them to help end the inflationary spiral by refraining from demanding wage increases. The drivers' union, which had planned to halt public transportation in La Paz again to obtain a 40% rise in bus and taxi fares, yielded to the President's plea. Union leaders issued a proclamation stating they would "help to create the propitious climate necessary for the monetary stabilization plan." Another victory for the Siles Zuazo administration was won when communication workers called off a strike after the government had declared it illegal.

In November, the Chamber of Deputies approved a bill granting President Siles Zuazo special powers for one year to adopt whatever measures he deemed necessary to carry out the stabilization program; and early in December the President issued four executive decrees which freed foreign exchange and foreign trade from existing restrictions, established a single exchange rate for each foreign currency to replace official and free-market rates, placed import duties on an ad valorem basis, increased wages to levels that would be frozen for one year, and fixed a new system of royalties on metal exports. Under the new code the boliviano's realistic rate was expected to fluctuate between 7,000 and 8,000 to the dollar. The Bolivian Central Bank announced that as of December 18 it would buy or sell foreign exchange dollars without requiring traders to obtain special licenses.

To support the country's stabilization efforts, the International Monetary Fund and the United States Government agreed in December to give

Bolivia the expected dollar loan. The International Monetary Fund advanced $7.5 million which could be used to purchase foreign currencies. Another $7.5 came from the U.S. Treasury and $10 million came from the International Cooperation Administration (I.C.A.). In return Bolivia agreed to stop printing currency and boost taxes to make up the deficit; freeze all hiring in the mines and let the payroll drop back through attrition; and dump price controls and food subsidies, including those in government-administered commissaries and labor stores.

Changing over to a free economy created difficulties for many. Black marketeers and influence-peddlers by the thousands were deprived of their incomes. Some miners lost their jobs, and almost all of them began paying more for food. The Partido Obrero Revolucionario and the Communists promoted new anti-government demonstrations. Shops were attacked. A group of deputies backed by the Central Labor Organization bombarded the cabinet with a series of questions affecting workers. In an attempt to bring labor leaders into line, Siles Zuazo threatened to resign if his stabilization program failed to gain the support of all workers.

In the final analysis it seemed that the President's personal popularity was indeed the only weapon left to enforce cooperation. In a dramatic effort to put across his economic measures, Siles Zuazo himself went on a hunger strike the last week of the year when workers of the Llallagua Mines walked out to protest the stabilization program. He cabled Vice President Nuflo Chávez Ortiz who was representing Bolivia at the United Nations to return home to take over executive duties in case his refusal to eat should incapacitate him. The President's personal hunger strike succeeded in bringing the miners back to work and convinced many of the strength of his leadership. At the same time he persuaded top members of the M.N.R., including Juan Lechín, to sign a proclamation of "complete unity" of the party behind the stabilization program.

Largely responsible for pulling Bolivia through the difficult times was U.S. aid. Although amounts of U.S. aid allocated to Latin America were relatively small compared with sums for other areas of the world, Bolivia was a major recipient, having been allotted over $60 million since 1953. A report made available by the International Cooperation Administration (I.C.A.), which handles U.S. foreign aid, said that U.S. grants had "maintained a precarious political equilibrium" in Bolivia. During 1956 the U.S. poured $23 million into the country through two programs, the economic aid program and the technical assistance program. This sum does not include the $15 million stabilization loan agreed to in December. The economic aid program amounting to $20.5 million was the largest of its kind in Latin America. The technical assistance program of $2.5 million was the second largest in the Western Hemisphere. Bolivia also received loans from the Export-Import Bank of Washington and the International Monetary Fund as well as technical help from the United Nations. In April Bolivia became the eighteenth nation to sign the articles of the International Development Corporation, the subsidiary of the World Bank designed to provide direct loans to private enterprises in less developed countries.

Included in the I.C.A. assistance program for the 1956 fiscal year were large shipments of foodstuffs such as wheat, wheat flour, rice, lard, and nonfat milk solids as well as such commodities as raw cotton, cottonseed oil, and

vegetable fiber products. Most of the items came from U.S. surpluses. Funds were also allotted for ocean transport of these commodities. Another major U.S. contribution was the engineering and construction of a $460,000 bridge over the Piray River in Santa Cruz. The I.C.A. also allotted $421,000 for the establishment of a school of public administration for government employees.

Because a report made in 1955 by the Audit Division of the office of the Controller of the I.C.A. indicated that over $1 million of expenditures in the agricultural services were not auditable for lack of records, and counterpart funds equivalent to $12 million were not properly handled or accounted for, major changes were made in 1956 in the personnel of the Bolivian aid mission. Washington sent down a controller, Henry Cooper, who overhauled the bookkeeping system, and local officials conceded there were many evidences of poor accounting. However, the Bolivians in charge contended that the amounts mentioned in the official report were exaggerated. Their main quarrel was with the statement about counterpart funds. These funds result from the sale of U.S. surpluses in Bolivia. The Bolivian Government and the U.S. mission have joint control over the local currency earned by such sales. The funds are used to pay for specific technical assistance and development projects approved in Washington. I.C.A. officials explained that sums spent for economic development had been incorrectly charged to technical cooperation programs but added that no evidence of dishonesty had been found.

Repeatedly throughout the year President Paz Estenssoro expressed gratitude for all the aid his country was receiving from the United States. At the opening session of the national convention of the M.N.R., he said American help was a "demonstration of solidarity among free nations which are able to share the moral and material wealth of the United States." Ambassador Víctor Andrade, in speeches throughout the United States, repeated the words of the President and appealed for continued U.S. aid until Bolivia might regain complete economic stability. Andrade also emphasized the fact that U.S. assistance was responsible for overcoming the Communist threat.

CHAPTER III

MINING

In 1956 Bolivia's chief claim to fame was still tin. Despite efforts to end the country's complete dependence on this product it, remained the principal source of foreign income; but, much to the government's consternation, world tin prices remained comparatively low. This, coupled with the fact that Bolivian tin mines were high-cost operations because of the mineralogical complexity of the ores, relative inaccessibility of deposits, high cost of transportation, and high cost of labor, made the mining picture in 1956 a rather bleak one. Nevertheless, Bolivia remained the world's third-ranking tin producer and contributed about 15% of the world's output.

In April, just four years after the revolution which brought the M.N.R. to power, President Paz Estenssoro himself openly admitted that nationalization of the tin mines, considered by the government to be one of its greatest accomplishments, had been economically unsuccessful. Paz Estenssoro blamed the lower world tin prices, low tin content of the ores and indiscipline among miners for the industry's financial failure, and explained that much of the nation's inflation could be traced to the same factors. He ironically commented that the miners worked harder for their "torturers" (meaning the tin barons) than for the nation. On the other hand the President firmly maintained that nationalization of the multimillion dollar mining industry was necessary for the nation's achievement of political independence and pointed out that prior to nationalization the Aramayo, Patiño, and Hochschild concerns named Presidents, cabinets, and supreme court justices. An economist himself, he also argued that nationalization of the "Big Three" tin mines was necessary to facilitate the government's efforts to diversify the economy.

Following Paz Estenssoro's statement, programs were set up to bolster the tin industry with incentive measures for workers. At Bolivia's request, the United States financed the private consulting firm of Ford, Bacon, and Davis of New York to survey the entire mining industry and make recommendations for improvement. The survey was begun in February, and, in accordance with the plan presented by the consulting firm, a decree was signed in June calling for reorganization of the official Bolivian Mining Corporation whose relations with the executive power were henceforth to be conducted through the Ministry of Mines and Petroleum. The reorganized Mining Corporation was to have a board of directors and be administered by a general manager selected by the President of the Republic from three names submitted to him by the directive board. The National Comptroller's Office was to act as the official accounting and fiscal control office of the corporation.

The first meeting of the new board of directors was held on August 15. A Netherlands mining engineer with 25 years' experience in Bolivia, who had been acting as temporary general manager, was appointed to that office. One of the directive board's first actions was the submission to the President of the Republic of a plan calling for authorization of the Mining Corporation to manage the entire foreign exchange income from its mineral exports. At the same time the directors appealed to mine workers and technicians to strive

conscientiously to boost tin production and thereby increase foreign exchange revenues.

Private miners also registered complaints about the distribution of their dollar earnings. The Oruro private miners trade association sent a report to the President pointing out that its members' local currency costs had risen sharply and asked for increased prices for their minerals, permission to import more mining machinery and supplies, and delivery of 25 per cent of gross mineral receipts to private miners for their own use.

A direct result of the private miners' protests was an order from the Minister of Mines authorizing the Bolivian Mining Bank to adjust upward prices paid by it for private production, retroactive to July 1, and to raise the preferential exchange rate to private mine operators from 1,500 bolivianos to 3,500 bolivianos to the dollar. The Ministry of Mines also circulated through the Bolivian Mining Bank a questionnaire to a number of private miners asking suggestions as to policy changes which might lead to higher production and greater development of private mines.

One of the larger problems that the country had to solve in revamping her mining industry was that of convincing the powerful Federation of Bolivian Mine Workers that 10,000 unnecessary mine workers should seek other occupations. The 10,000 were left jobless when the mines were nationalized, but at that time the government agreed that they should continue to receive the same pay as those miners who worked and should also enjoy the regular workers' privilege of buying food at government-operated "labor stores" or commissaries. These commissaries were established to provide miners with essentials at subsidized prices but swiftly grew out of all proportions because miners would buy commissary goods to resell in black markets. Commissary sales in 1955 were double the entire miners' payroll, and subsidies amounted to 77% of the cost of running the mines. Although figures were not available, the situation in 1956 was probably even worse. This system of fantastically cheap commissaries was abolished in December as part of the economic stabilization program, but by the end of the year there was still no indication that the jobless miners would seek employment elsewhere. Miners as a whole were better off than other groups under the increased wage scales incorporated in the December economic reforms.

The most alarming news in the Bolivian mineral picture, however, was a report from the Mining Corporation that deposits were running out in several major tin mines. Mining executives agreed to have surveys carried out near the mines where yields had fallen to try to keep existing mines in production. At the same time it was decided to establish metallurgical laboratories in Potosí, Oruro, and La Paz under the sponsorship of the National Chamber of Mines.

Meanwhile the Japanese Mining Association agreed to send 15 mining experts to Bolivia at the invitation of the Bolivian Government. The selected experts were to engage in geological survey, mining, ore selection, and refinery. Also cooperating with the Bolivian Government in geological work was the Amazonia Foundation, a private U.S. nonprofit scientific and cultural organization. George Michanowsky, president of the Foundation, reported that in certain areas of the country members of his organization had found traces of thorium, the radioactive mineral which is recognized as an ingredient of of great importance for atomic fuel destined for industrial use.

Statistics released by the U.S. Embassy in La Paz indicated that mineral production in general showed a long-term decline. Wolfram and gold production, however, had risen over the decade 1946-56. Lead, silver, and zinc output had held steady since the early 1940's. Production of both nationalized and privately owned Bolivian mines for the first half of 1956, with comparable data for the preceding three years, is shown in the following table:

TABLE 1

MINERAL PRODUCTION

(In metric tons of fine metal content except where otherwise indicated)

January-June	1956	1955	1954	1953
Tin	13,444	13,210	14,148	15,282
Wolfram	1,133	1,152	1,166	852
Antimony	2,788	2,248	1,320	949
Lead and Silver	12,689	9,137	9,117	12,408
Copper	2,219	1,577	1,839	1,988
Zinc	10,660	8,336	8,698	11,084
Gold[1]	579	424	404	321
Sulphur	2,152	1,001	40	0
Asbestos	46	149	196	63
Fluorite	229	184	0	0
Bismuth	27	24	34	29
Nickel	2	0	0	0
Mercury	153	0	0	0

[1] In kilograms

Although early in January Bolivia renewed a contract to sell 50% of her tin production to Great Britain, tin exports showed the same general decline evidenced in production. A report that the United States would shut down its Texas City smelter was distressing news for Bolivia which supplied that smelter with tin, but the announcement by the U.S. Federal Facilities Corporation that the smelter would continue normally through January 31, 1957 led the president of the Bolivian Mining Corporation to predict that tin exports to the United States would continue normally through the end of 1956.

The cost of mining tin in Bolivia was about $1.10 to $1.15 a pound in February. This was 15 to 20 cents a pound higher than the current world price for the metal.

The following figures released by the U.S. Embassy in La Paz show export tonnage and gross export value of tin since 1949. The eight-month figures for 1956 were projected by the Embassy to estimate exports for the entire year.

TABLE 2

TIN EXPORTS

Year	Tonnage (metric tons-fine)	Gross Value (U.S. dollars)
1949	34,662	$72,852,000
1950	31,714	63,215,000
1951	33,664	93,251,000
1952	32,472	83,772,000
1953	35,384	72,436,000
1954	29,287	57,877,000
1955	28,369	57,273,000
1956 (estimated)	25,100	53,600,000

The Bolivian Foreign Office was asked by the Ministry of Mines to take up with the U.S. Government the possibility of extending wolfram purchase contracts which had been in force between the General Services Administration and the Bolivian Mining Corporation. Several expired during the year, and the rest were to expire by June 30, 1957. The Federation of Bolivian Mineworkers asked for and received support from the A.F.L.-C.I.O. in recommending that the contracts be extended. The Ministry of Mines reported that if all these contracts expired 4,800 more miners would be out of work, and the Bolivian Government would lose approximately $4.5 million annually in wolfram receipts.

Highlights in Latin America reported in December that in view of the sad state of the mining industry, Bolivia might enact a new mining code in 1957 after the first effects of the anti-inflation program had died. The code was to be based upon the Ford, Bacon, and Davis survey; some believed its aim might be to attract foreign investment frightened off by nationalization and the stringent regulations under which other mining concerns were forced to operate. The survey indicated that, without new exploration and development, declining mineral production would reach a serious low within five years. It was estimated that it would take from three to five years to put new enterprises in operation. To attract enough capital, the new mining code was expected to be based upon general practices of countries which have a flourishing mining industry. Meanwhile on December 18, the executive branch issued a decree authorizing the Central Bank to grant a loan of 500 million bolivianos to the National Mining Bank to facilitate improvement of the industry.

A foreshadowing of the anticipated new mining code came as early as June when the Bolivian Government signed a contract with the South American Gold

and Platinum Company, a U.S. holding firm registered in Delaware, for the development of gold and platinum deposits. This was the first mining concession granted to a U.S. company by Bolivia since the mines were expropriated in 1952. The concession was for 25 years and covered an undeveloped placer gold mining area that embraced parts of the Tipuani, Kaka, Corcica, and Challana River Valleys in the north central part of the country. Actual exploration started in October. Reports indicated that the company would pay a royalty of 5% on gross production plus an undisclosed fixed tax. The Bolivian Government was expected to have the option of buying part or the whole of the production in dollars. The contract was probably viewed with interest by other American investors because Bolivian authorities stated it might be used as a model for future contracts of this nature. Louis B. Harder, president of the South American Gold and Platinum Company, told shareholders the company was willing to take the risks involved because of the assurances given by the Bolivian Government. He further commented that an investment such as this was in keeping with the U.S. policy of aiding in the development of Latin America.

In October the National Lead Corporation, another U.S. firm, arrived at an agreement with the Bolivian Government for the exploitation of the famous Matilde Zinc Mine, one of the largest zinc deposits in South America. It was one of the many Mauricio Hochschild properties expropriated by the government in 1952. The mine is located near Lake Titicaca, and, in addition to heavy zinc concentrates, it contains large sulphur deposits and lower percentages of copper, silver, and lead. It was understood that before the contract was signed, the government would have to reach an agreement with the Hochschild interests, which invested several million dollars in opening the mine. National Lead officials said there still were no formulated plans for treatment or marketing of the mine's output.

At the end of the year Jorge Tamayo Ramos, Minister of Mines and Petroleum, expressed confidence that for some time to come mining would continue to be the nation's most important industry. He urged the government to continue to stress expanding mine production not only so as to satisfy the domestic mineral demand but to provide adequate exports. Tamayo Ramos further indicated that budgets for mine development projects would be kept at a leval that would assure the highest rate of production and employment and thereby create the proper conditions for building a firmer economy.

CHAPTER IV

PETROLEUM

The petroleum outlook in Bolivia for 1956 was indeed a promising one. The country, which as late as 1953 was an importer of petroleum, was expected to have marketed about $6 million of oil in 1956. In April President Paz Estenssoro stated that production was 11 times that of four years earlier. For the first time since the holdings of Standard Oil Co. of New Jersey were expropriated in 1937 a Bolivian Government actually welcomed foreign investment in the industry. In addition considerable progress was made in the construction of pipelines to deliver crude oil to foreign markets.

According to geologists the Bolivian oil province extends all the way across the country roughly north to south and is approximately 250 miles wide and about 600 miles long. It extends from the Argentine border in south central Bolivia along the eastern slopes of the Andes northward to Peru. Oil fields were located near Bermejo on the Argentine border, at Villa Montes about 100 miles northeast of Bermejo, at Camiri 85 miles north of Villa Montes, and at Sanandita between Bermejo and Camiri. Two more fields discovered by Standard Oil of New Jersey lay between Camiri and Sanandita. This area, containing two tracts in which exploration wells which produced oil had been drilled, was designated at the beginning of the year as one of the first areas to be thrown open to private exploitation. Wildcatter Glenn McCarthy of Houston, Texas had drilled four wells in the Villa Montes area and by 1956 had published reports saying he had found both oil and gas.

Reserves in the Camiri field were estimated at 47 million barrels. The estimate for the Bermejo field was 15 million barrels and reserves at Guairuy, south of Camiri, were supposed to be at least 5 million barrels. Reserves at all of these fields might have been far greater than any estimates. Figures for reserves at Sanandita or Villa Montes were not available.

This, then, was the oil situation in Bolivia when late in 1955 a liberal petroleum code was enacted with the hope of attracting capital to exploit this valuable natural resource. Both foreign and domestic concerns were invited to invest in the Bolivian petroleum industry on terms which would reserve for the government 30-35% of the net profits, 11% of the crude oil produced, and a small rental for the land. Profits in excess of taxes and other payments were to be divided 50-50. Concessions were offered for a period of up to fifty years to private persons or organizations interested in the exploration and development of oil properties or in the exportation, production, transportation, and refining of oil products. It was pointed out that any concession would confer exclusive rights of exploration and subsequent exploitation and could be acquired by anyone providing evidence of sufficient technical and financial capacity.

Specific concession terms included the following:

1. A depletion allowance of 27% per year of the gross value of petroleum and natural gas production to be deducted from gross income in calculating the taxable net.

2. Amortization of capital at the rate of 20% annually, also deductible before taxes on the net.

3. Areas for exploration and subsequent exploitation, or for direct exploitation, of up to 3,000,000 hectares (approximately 7,410,000 acres), depending on geographic location.

4. Concessions for exploration purposes to be made for periods up to ten years; concessions for direct exploitation, for 40 years.

5. Exemption of all necessary equipment and materials from import duties and fees.

6. Exemption of exports of petroleum, derivatives and petroleum products, and natural gas from export taxes and controls.

7. Freedom to convert receipts from capital investments or the sale and exportation of petroleum products into dollars, or into currency in which the investment was made.

8. Liberal tax deductions and a fixed annual income tax not in excess of 30% of net profits.

The acreage opened to development by private companies included three separate zones. A fourth zone was reserved by law for Yacimiento Petrolíferos Fiscales Bolivianos (Y.P.F.B.), the government oil monopoly. The Y.P.F.B. area encompassed the existing producing fields and also the concession which Glenn McCarthy held under a special contract with Y.P.F.B.

To create an interest in Bolivian petroleum among American capitalists, Ambassador Víctor Andrade gave a series of talks throughout the United States. Addressing the Petroleum Executive Council in Tulsa, Oklahoma, Andrade stated that some of the finest investment opportunities in the world were to be found in his country. He announced that applications for oil concessions would be accepted beginning February 25 and that awards would be made one month later.

The first big company to sign a contract under the new terms was Gulf Oil Corporation of Pittsburgh, Pennsylvania. A 40-year agreement was drawn up in March and ratified in May. This authorized Gulf to explore a maximum of 3.7 million acres and to exploit, finally, a maximum of 1.1 million acres. The exploration area granted to Gulf was part of the concession once held by Standard Oil of New Jersey. Shell Prospecting Company, Ltd. of London, received a permit for a geological survey and representatives of several American petroleum companies, including Standard Oil of California and Socony Mobil, visited La Paz to investigate the advisability of initiating operations.

Soon after the contract was signed with Gulf, geological survey teams arrived in Bolivia to make photogrammetric and gravimetric surveys of the company's properties. Local magnetic storms in the Santa Cruz area interrupted magnetometric work, but it was announced that aerial photographic work would be continued despite unfavorable weather conditions. In addition, two surface geological teams began operation for Gulf, at first near the towns of Todos Santos and Camiri. In December it was announced that Seismograph Service Corporation had signed a contract with Gulf for gravity survey work in Bolivia.

An important factor in the development of the petroleum industry in 1956 was the progress made in construction of pipelines to deliver oil to foreign ports and markets. This system of pipelines, when completed, was expected to make landlocked Bolivia one of South America's leading oil exporters some day. In August the first section of the world's highest pipeline connecting a refinery at Cochabamba with La Paz was completed. This six-inch line stretched 220 miles at altitudes of more than 14,000 feet in parts of the high Andes. To complete this section construction workers had to battle an eighteen-inch snowfall in July. Because of the high altitude, tractors and other automotive equipment had to use superchargers. The second section of the line, when completed, was to join the system at Sicasica in the mountains of western Bolivia and deliver crude oil to Arica, Chile on the Pacific. This section was being financed with the new capital investment of Gulf Oil Co. In one short stretch of forty-eight miles the pipeline drops 15,000 feet. The swiftly flowing oil was expected to generate a large amount of energy to be used as power for a petro-electric plant. At the start the new pipeline was expected to send about 6,000 barrels of oil a day out of the country. Eventually, it was estimated, it could carry up to 50,000 barrels a day, returning income in excess of $60,000,000 a year.

Early in August Y.P.F.B. called for bids for the purchase of 190 miles of 10 3/4 pipe for the Sicasica-Arica line. It also purchased 50 miles of 8 5/8 pipe for this line from a Brazilian manufacturer under the provisions of a barter agreement between the two countries. The line was expected to be in operation by the latter part of 1958.

Also making headline news was Glenn McCarthy's announcement in May that he would build a 500-mile 12 1/2 inch-pipeline from his oil fields in the Villa Montes area through a mountain pass to Chuquicamata and Antofagasta, Chile and thus supply Bolivian natural gas to Chilean copper-mining operations. McCarthy declared he would be the first to pipe natural gas to Chile or any other part of South America. Cost of the project was expected to be in excess of $31 million. Chile Exploration Company, a subsidiary of the Anaconda Company, was slated to be the prime customer for the line. McCarthy's contract with Anaconda was merely a purchase agreement and was to be confirmed only when deliveries began. Some doubt was expressed that he would be able to finance his project, and he later sold his interests. Meanwhile, another contract was signed between Y.P.F.B., as supplier, and the Chilean Petroleum Corporation, Esso and Shell Oil Companies, as distributors, through which Bolivia would export 1.6 million liters of automotive gasoline monthly to Antofagasta.

There were other manifestations of economic cooperation with neighboring nations which accompanied the growth of the oil industry in 1956. Negotiations were renewed between Y.P.F.B. and the Peruvian Government for the export of Bolivian gas to southern Peru. This agreement proved advantageous to both countries since the southern Peruvian market is more accessible to Bolivian production centers than to those of northern Peru. In December Bolivian and Peruvian officials began discussing construction of a proposed pipeline in Peruvian territory which would give Bolivian petroleum another outlet to the Pacific. This pipe would be another branch of the La Paz-Cochabamba line and would extend to the port of Ilo, Peru. Plans were also made to increase shipments of petroleum products to Argentina. An Argentine pipeline between Camp Curant and Embarcación nearing completion was expected

to be of sufficient capacity to permit full delivery of crude oil called for in international agreements of 1942 and 1955 between Argentina and Y.P.F.B. Bolivia, for its part, increased purchases of Argentine cattle and other farm products.

A vigorous attempt was also being made to increase Bolivian oil shipments to Brazil. The talking point with Brazil was the expansion of an existing barter arrangement which exchanged Bolivian petroleum for Brazilian machinery, sanitary equipment, and other articles. This Bolivian-Brazilian agreement was closely tied in with the completion by Brazil of the Corumbá-Santa Cruz railroad in 1955. Brazil was to be paid for this project (about $30 million) in petroleum, but the railroad could transport only a trickle because there was no bridge over the Rio Grande and other bridges were unsafe in high water. Also, only the oil that could be trucked in from the south was available. It was believed that Y.P.F.B. officials would try to obtain an arrangement under which a pipeline could be built across the Rio Grande and perhaps on to Corumbá and São Paulo, Brazil. Petroleum was also being exported to Paraguay, and in December Paraguayan Foreign Minister Raúl Sapena Pastor visited La Paz to discuss construction of a pipeline from Bolivian oil fields to his country.

Petroleum production in February was 11,000 barrels per day, and it was expected that by the end of the year output would reach 17,000 barrels per day. Domestic consumption amounted to only 4,000 barrels per day, the balance being exported. The country was self-sufficient in all petroleum products with the exception of lubricants and high-octane aviation gasoline. Although petroleum production was actually quite small compared with that of many other countries, the future of the industry looked bright and some were already predicting that one day Bolivia would be a major supplier for the southern half of the South American continent.

CHAPTER V

AGRICULTURE

Although farming was still of little importance in international trade compared to mining, the bulk of the working population was employed on the land in 1956. Bolivian agricultural resources were potentially great, but food production continued to be retarded by an unbalanced population distribution, an incomplete communications network, and insufficient technical training. Without these obstacles Bolivia could have produced at home many of the foodstuffs and raw materials which had to be imported. The relatively undeveloped altiplano (high plateau) had a limited potential, but it could have been made more productive by modern techniques. The extensive fertile eastern areas of the departments of Santa Cruz, Beni, and Pando remained underdeveloped and continued to suffer from lack of labor. Nevertheless a certain amount of progress was made in the course of the year to overcome these long-standing problems and to start the country on the road to self-sufficiency in a number of agricultural products.

Until the M.N.R. came to power in 1952 a semi-feudal system of land tenure prevailed, but the Paz Estenssoro administration broke up the large estates and, under the Agrarian Reform Program, gave Indian farm laborers plots of land which they were to pay for within 25 years. After local agrarian reform boards had been set up and local judges appointed, agrarian cooperatives were formed. Lack of adequately trained personnel, a serious problem of the Agrarian Reform Program, was partially remedied in 1956 by a series of special survey courses sponsored by the Agrarian Reform Service. After only 120 days of training, a group of 42 agricultural workers received certificates entitling them to work for the Agrarian Reform Service. Other classes for professional surveyors and various types of technicians provided the necessary personnel for a speedy implementation of the land redistribution program.

In 1956 Bolivian farming was still largely on a subsistence basis. Potatoes, corn, cacao, coffee, barley, coca, and highland rice were the chief products. Late in 1955 the government established a new program to promote exports of agricultural and forest products. The office of Export Promotion, established within the Central Bank, was henceforth known as the Office for the Promotion of Production for Export. It was given broader functions and transferred to the Ministry of National Economy. The new office provided incentives to producers, established export quotas for various commodities after domestic demand had been satisfied, and fixed official export prices. In 1956 agricultural exports included rubber, coca, quinoa, nuts, chinchona, bananas, and pineapples. The latter two products and certain other fruits were being exported for the first time. Bolivia continued to be South America's second largest rubber exporter although the volume was small. Piretro was being cultivated for the first time, and samples of the first crop were found to contain 1.83 per cent of pyrethrum, a substance used in plant insecticides. These results were even better than those in Ecuador, where plants bearing 1.8 per cent pyrethrum were grown commercially.

As early as 1947 a Point-Four-sponsored joint Bolivia-United States agricultural mission, Servicio Agrícola Interamericana (S.A.I.), began a cooperative program aimed at developing all fields of agriculture throughout the country. At that time it set up three research centers, one to serve the Andean region, another for the inter-montane valley region, and a third for the tropical lowlands. By 1956 experimental centers existed at Cochabamba, Villa Montes, Charaguo, Santa Cruz, Trinidad, Titicaca, and Palliño Saavedra. The mission's efforts to expand agricultural output were particularly successful in the country's eastern lowlands, where the production of rice, corn, and sugar increased considerably. Mechanized farming, as well as a supervised credit service enabling farmers to supply, equip, and operate their farms, was introduced. In 1956 Bolivian Minister of Agriculture Alvaro Pérez del Castillo praised the program of the S.A.I. and listed among its accomplishments the import of fine cattle-breeding stock, improved seed varieties, lower cattle disease rates, and a notable increase in total agricultural production. He estimated that in 1957 Bolivian agricultural output would triple that of 1956.

One example of the success of the S.A.I. could be found in the town of Ucareña in the Cochabamba Valley which, by virtue of its turbulent role in the country's land reform movement, had become a symbol of the plight of the Indian farmer. Twenty years earlier Ucareña was part of a 7,000-acre estate based on a 400-year-old Spanish land grant. It was owned by a Roman Catholic convent and leased with its 12,000 Indian families to a powerful "patron." For the right to sharecrop small plots on a fifty-fifty basis, the Indians had to till the owner's fields and submit to being rented out as labor. In 1936 the Ucareña Indian farmers under leftist José Rojas formed a union and, after many setbacks, bought part of the estate. Although they had the land, the Indians lacked the basic know-how to get them through a period of drastic change.

Into this unstable situation stepped American Thomas J. Moon to take over the S.A.I. program in the Cochabamba Valley. After winning the confidence of former Marxist Rojas, Moon cooperated with Rojas in training Bolivians as "county agents" to instruct the newly independent farmers. Through demonstrations, charts, radio talks, and movies narrated in Quechua, S.A.I. agents taught Indians the uses of chemical fertilizers, insecticides, high-yield seed, and crop loans. Per-acre profits for Ucareña by 1956 had gone up to $100, and some of the Ucareña farmers had even bought trucks. Ucareña easily supplied an extra 200 tons of top-quality seed potatoes to plant out-of-season crops in the lower valleys when unseasonable frosts ruined the 1956 potato crops in the highlands, and the town was rapidly exchanging its former reputation as a center of radical ferment for new fame as a high producer of wheat and potatoes.

Early in the year the government introduced two basic reorganization plans to deal more efficiently with agricultural problems. Resigning personnel of the National Agrarian Council were replaced by new officials, and an agreement was reached by the Ministry of Agriculture, the Bolivian Development Corporation, and the S.A.I. to consult on mutual agricultural problems. It was decided that an extension agent should be provided by one or the other of the agencies for each of Bolivia's provinces, and that the three agencies would coordinate their use of farm machinery, their work at the various experiment stations, and the distribution of seed and fertilizers.

A Roman Catholic Order, the Maryknoll Fathers, was also fostering attempts to change the mode of living of Bolivian Indians. A 288,000-acre rubber cooperative known as Blanca Flor was being developed under the Order's direction in the department of Pando. Although the cooperative's plans called for the elimination of wild rubber trees and the development of an efficient plantation system, little progress was actually made with rubber. It proved more profitable to gather Brazil nuts and produce lard from domesticated hogs. In October one kilogram of lard was worth 80¢. For every 20 kilos of Brazil nuts gathered, the cooperative received 6,000 bolivianos instead of the 3,000 to 4,000 received by pickers who sold to the "patrones."

The Maryknoll Fathers' cooperative undertaking as well as the S.A.I. program met with fierce opposition from the "patrones." in October the Rev. Felix McGowan reported a series of incidents that were threatening the future of the cooperative. He indicated that landowners were instigating kidnappings of workers from a jungle area incorporated in the cooperative and that frontier authorities were siding with the landowners in perpetrating the kidnappings. Minister of Agriculture Pérez de Castillo assured the Maryknoll Fathers that the Bolivian Government would prevent further incidents of this nature.

Throughout the year the National Agricultural Bank made substantial loans to small farmers and cooperatives for the acquisition of farm implements, seeds, and the like. In December the executive branch issued a decree authorizing the Central Bank to grant a loan of 500 million bolivianos to the Agriculture Bank to expand its capacity. The first Congress of Bolivian Agricultural Cooperatives, held in La Paz late in August, recommended the relaxation of government controls over farm cooperatives and the establishment of branches of the Agriculture Bank on the altiplano and in the yungas (intermediate altitude valleys and slopes - Eastern Andes) to serve the needs of cooperatives in those areas. At the same time a bill for the organization and operation of all agricultural cooperatives was approved for submission to the Bolivian Congress. In order to promote and protect the cooperatives formed by small producers, a decree was issued in December which freed the products of these organizations from prevailing merchandizing and consumer taxes.

At the fourth annual conference of the Bolivian Peasant Workers' Association held in La Paz on August 13, Vice President Nuflo Chávez Ortiz was reelected secretary-general of the association. The conference appointed a committee to study a rural school-teacher dispute, and, in a brief speech, Chávez urged the association to cooperate with all the productive forces of the country in preserving the gains of the M.N.R.

In addition to the forward strides made in 1956 in the modernization of agricultural methods and the integration of the farmer into the national economy, some progress was made in populating the potential farmlands of eastern Bolivia. New areas were opened for cultivation, and the government encouraged a population shift from the highlands to the more fertile lowlands, where many of the crops being imported could be grown domestically. In September Foreign Commerce Weekly reported that a group of 45 rural families from the altiplano planned to establish a colony near Santa Cruz. The colony was to be assisted by the Bolivian Ministry of Agriculture and the S.A.I.

The immigration of foreign farmers to the Santa Cruz area and the yungas was also encouraged. The Japanese and Bolivian Governments signed an agreement in August for the immigration of 1,000 Japanese families comprising a total of 6,000 farm workers into the Santa Cruz area over a five-year period. Most of these immigrants were expected to arrive in 1957. The Bolivian Government planned to furnish free lands to the Japanese and to build roads to give their farms access to markets. Each immigrant was to be allowed to bring his own implements and tools, as well as $350 worth of general Japanese merchandise to be sold duty-free in Bolivia. A Japanese agricultural colony, numbering about 97 persons who had arrived in mid-1955, already had made considerable progress in their settlement at Caranavi near Santa Cruz. The Inter-Governmental Committee for European Migration, at the request of the United States, sponsored the movement of about 150 families each year from overcrowded Okinawa and Italy to the eastern lowlands. The colonists were guaranteed compensation in case the project failed.

Freak weather conditions, inflation, and lack of transportation facilities, however, thwarted government efforts throughout the year to bolster agricultural production. The winter season was the coldest in fifty years. Drought and unseasonable frosts drastically reduced potato, barley, corn, and wheat crops on the altiplano and created a serious food shortage throughout the nation. Meat was extremely scarce because of the crop failure, since farmers found it too expensive to fatten their beef cattle. In addition to high production costs, stock raisers faced exhorbitant slaughtering and transportation costs. Relief food stocks from abroad also piled up in ports because of the transportation bottleneck. On September 21 there were an estimated 20,000 tons of foodstuffs awaiting shipment to Bolivia in Chilean and Peruvian ports because the railroads had been unable to move more than 10,000 tons per month. This situation was alleviated soon afterward on the La Paz-Antofagasta route.

The general food shortage was also aggravated by the fact that Bolivian farmers and stock raisers frequently found it more profitable to smuggle their products to neighboring countries. Because of the scarcity of food in his city, the mayor of Oruro resigned, complaining of the administration's failure to comprehend the food crisis. A campaign against persons smuggling bread to Peru was started early in February when it was reported that bread was being trucked illegally from La Paz to Peruvian border cities, where uncontrolled Peruvian prices were about twelve times the boliviano prices set for Bolivian consumers. The seasonal meat shortage was the subject of an extensive study by the Bolivian Planning and Coordinating Commission. The Commission reported that about 70,000 head of cattle and 20,000 sheep were being smuggled yearly to neighboring countries. When a sharp decline was noted in the number of cattle being processed at the La Paz slaughterhouse, local cattlemen were quoted as saying the existing government-controlled meat prices precluded selling cattle on the domestic market without a loss.

To ease the famine, an agreement was signed by the Bolivian Government and the I.C.A. for emergency delivery by the U.S. of 8,000 tons of rice and 5,000 tons of wheat for approximately $2.3 million. The I.C.A. also financed the purchase of $500,000 worth of surplus lard in the United States for shipment to the distressed areas. In addition it was announced that 27,000 tons of wheat and 7,000 tons of flour to be obtained under the regular I.C.A. food import program for the fiscal year 1957 would be available for distribution

in Bolivia during the last quarter of 1956. The Bolivian Government gave tax exemptions and extended other privileges to a church agency so that food supplied by that agency could also be distributed for relief purposes.

In an effort to alleviate the meat shortage the government decreed an additional subsidy of 19.2 cents per pound for firms bringing meat from the Beni district to the altiplano and 12 cents per pound for all other meat marketed. Subsidies to transporters of foodstuffs were also increased. To satisfy the immediate demand for meat, a contract was signed with Brazil under the terms of the existing Bolivian-Brazilian barter agreement for purchases of up to 10,000 head of cattle from a cooperative of Brazilian cattle raisers, and stock was imported from Argentina at the rate of 200 head every ten days.

The seeming paradox of Bolivia's importing and illegally exporting meat simultaneously was explained by the fact that the natural markets for much of its meat were across international borders rather than at distant altiplano cities. Legalization of the sale of cattle to neighboring countries and the establishment of a government agency to control foreign trade in meat were proposed. A national convention of cattlemen from all of the producing areas of the country was called to discuss the Bolivian Planning and Coordinating Committee's plans to solve the meat shortage.

In view of the many difficulties to be overcome, the prospects of Bolivia becoming agriculturally self-sufficient in the next year or two were rather dim. Although new areas were open for cultivation, roughly two-thirds of the population still lived on the agriculturally poor altiplano in 1956. Although Bolivian land owners in 1956 totaled 800,000 as compared with only 50,000 three years earlier, there was much hit-and-miss action in the Agrarian Reform Program and confusion resulting from land-reform-lowered yields. The once productive big estates had become little more than kitchen gardens for their new owners. Although the import of 250 British tractors doubled the small number of tractors within the country and other farm equipment imports brought modern machinery into the country, the vast majority of Bolivian farmers were still tilling their small plot of land with wooden hand plows (digging sticks), as their ancestors had done hundreds of years ago. The road ahead was not an easy one, but the Bolivian Government realized that the eventual prosperity of the nation depended on the expansion of this industry and the resultant elimination of most agricultural imports. Carefully detailed plans for the development of agriculture as drawn up by the government aimed at the achievement of national self-sufficiency in basic food production by 1960. If 1956 was any indication, it seemed doubtful that the goal would be reached that soon.

CHAPTER VI

INDUSTRIALIZATION

From the time it came to power in 1952 the M.N.R. was pledged to end the country's dependence on mining and diversify the economy. To this end considerable progress was made. From a total of 36 registered industries in 1931 and 364 in 1951, the figure had risen to 633 in 1956. Like most Latin American nations Bolivia was interested in industrialization as a means of raising its standard of living, but in its current backward condition anything but light industry seemed impractical.

Existing light industry in Bolivia in 1956 was still for the most part in the embryonic stage, with only approximately 10,000 workers employed in factories. The textile industry was the largest; clothing and shoe-manufacturing came next. Other industrial installations included a rice huller, a yuca mill, a flour mill, two foundries, and factories for the production of lubricants, foodstuffs, tobacco, chemical products, leather, glass and ceramics, light building materials, rubber products, furniture, toys, paints, cardboard, auto batteries, and other light commodities in local demand. A credit system was instituted by the Bolivian Central Bank which gave precedence to industries using domestic raw materials. Notwithstanding the scarcity of dollars, $15 million was allocated to meet the needs of this program.

Bolivia's only operating cement plant, owned by the International Machinery Company (a subsidiary of W. R. Grace Co.) increased its monthly production to 77,500 sacks of cement early in the year. The country's demand for cement was estimated at 200,000 sacks a month. During 1956, government agencies alone took about three-quarters of the national production. The scarcity of cement in the country was expected to be remedied partially in 1957 upon completion of another plant at Sucre.

One oil refinery was operating at Cochabamba and another was to be removed from Sucre to Santa Cruz to refine crude oil from the Camiri field for export to Brazilian markets. A report on the current status of the construction of a large tin smelter was demanded from the Minister of Mines in a resolution passed by the Bolivian Senate on August 13. The smelter was being constructed by the German firm Krupp and Ludwig. A new mill for treating low-grade tin ores was to be opened in March. Built at a cost of $500,000, it was located at Bolivia's principal tin-mining center, Catavi. By reprocessing the Catavi slag the new plant was expected to yield an additional $2 million in tin revenue.

The country's first powdered-milk plant was completed near Cochabamba at the end of May. The plant, constructed with funds from the I.C.A. ($100,000) and United Nation Children's Emergency Fund ($80,000), was operated by the Bolivian Development Corporation after completion, and had an initial processing capacity of 25,000 liters of fresh milk a day. Limited quantities of pasteurized milk, butter, and cheese were also being produced at the plant.

A new sugar refinery at Guabira was in production in time to process a portion of the year's sugar crop in the Santa Cruz area. The new plant's production capacity was about 18,000 metric tons annually, and a distillery to be operated in conjunction with the refinery was expected to produce about 1.8 million liters of alcohol a year. Profits from the first two years' operations were expected to cover a large part of the plant's initial cost. It was hoped that the new refinery's operation would encourage much larger sugar-cane plantings in the Santa Cruz area and result ultimately in considerable foreign-exchange savings. The Del Prado canning firm of Santa Cruz, which claimed to meet 20% of the Bolivian demand for canned food in 1956, was to obtain refrigerator trucks for the delivery of frozen meat and other products to western Bolivian markets. The company planned to increase the number and quality of products which it processed.

A second glass factory was being planned for La Paz and foreign exchange for machinery, replacement parts, and raw materials was authorized. The plant was expected to help overcome the critical window-glass shortage confronting the Bolivian construction industry. The one existing glass factory was not equipped to manufacture window glass.

Plans for further economic diversification were thwarted by lack of capital, but the country was looking hopefully to foreign investors to develop more light industries within the country. The Bolivian Government assured all prospective investors that it would cooperate wholeheartedly in any industrial ventures. Government officials pointed out the need for such industries as explosives and match factories, chemical plants, bag factories, and more shoe and clothing factories, foodstuff plants, fish canneries, rice hullers, corn grinders, graineries, and many other installations.

Stringent electrical rationing caused production to fall in Bolivia's principal industrial centers during the latter part of the year. Electricity was rationed because of a power shortage caused partly by insufficient rainfall and the unusually cold weather which prevented the normal runoff from nearby glaciers to city reservoirs. La Paz industrial districts were without power two days a week and in Cochabamba the factories were also working on a part-time basis. Meanwhile the Bolivian Power Co., a Canadian-owned firm which provides power for La Paz, was engaged in a $2 million improvement program, one part of which was the installation of a new 10,000 kilowatt hydroelectric plant which opened in November. Early in 1957 three Diesel units were to be installed in Cochabamba to relieve the chronic power shortage there.

Early in the year wages and salaries in Bolivia's private commerce and industry were increased by amounts ranging from 89.4 per cent for the lowest paid workers to 46 per cent for those receiving monthly salaries of 90,000 bolivianos or more (5,730 bolivianos equaled one U.S. dollar on March 28). This action was taken under a decree of February 25, and the increases were made retroactive to February 1. The decree provided for price increases of domestically manufactured products not to exceed 20 per cent and for the organization of the Bolivian Institute of Productivity.

Delegates to the Bolivian National Chamber of Industries' fourth convention, April 17-21, criticized stringent government controls over trade and industry and questioned the government's policy of granting repeated wage

increases without regard to parallel gains in worker productivity. They proposed a revaluation of capital assets to reflect the depreciated state of the national currency and favored the establishment of a government bank to make industrial loans. They also advocated the founding of an employers' federation empowered to represent employers in legal disputes with labor unions.

President Paz Estenssoro, in turn, told industrialists that their profit margins had been maintained despite wage increases and loss in the buying power of the boliviano, and that, therefore, the government did not intend to allow a revaluation of the corporate assets of the nation's industries at that time. He added that the administration would continue to protect the interests of the laboring class and at the same time encourage industrial growth.

In trying to bring this industrial growth, however, the Bolivian Government seemed to overlook the fact that capital moves only when the potential return matches the degree of risk involved. Moreover, with Bolivia's extremely low standard of living and lack of transportation facilities, plans for any extensive industrialization seemed unwise. It is true that the country's natural resources could provide raw materials for numerous types of industries, but before many of these ventures could be successful on a large scale a much wider consumer market had to be developed. For the time being most of the country's 1,800,000 Indians were satisfied to continue their age-old subsistence farming and make for themselves most of the necessities of their simple way of life.

CHAPTER VII

TRANSPORTATION AND COMMUNICATION

Lack of transportation facilities is a major reason why Bolivia has remained one of the world's backward and underdeveloped countries. However, after the 1952 revolution, road-building projects were speeded up to connect production and distribution areas. October 1954 saw the completion of the Cochabamba-Santa Cruz Highway, and paving was started toward the middle of 1955. In 1956, arteries connecting with this highway were being completed and others projected. Nevertheless at the end of the year the country was still suffering acutely from inadequate transportation.

In 1955 the Bolivian-American Cooperative Roads Service, an I.C.A. activity, was founded for the maintenance of 1,250 miles of highways in Bolivia. For this purpose it acquired more than $2 million in highway equipment. In 1956 the cooperative's jurisdiction was increased to include construction of a 22-mile road from San Pedro to Caranavi and maintenance of the La Paz-Cochabamba Road, the Oruro-Sucre Road, and some roads serving the Bolivian mines. Its activities were expected to cover 3,000 miles of roads by 1957. Additional funds for road building were made available to provide for needs of this expanded program. The cooperative, a semiautonomous agency of the two governments, was directed in 1956 by Gordon W. Dabney of Texas. Associate director was Jorge Arteaga, one-time director of Bolivian highways. Frank Lovett, also of Texas, joined Dabney in May to become district engineer at Sucre. W. O. Thomas of California arrived July 7 to take over as district engineer at La Paz.

The Cooperative was operating on a rigid schedule for training native highway engineers, skilled operators, and mechanics. Three of several engineers selected for specialized training in the United States arrived in July to work with a state highway department for three to four months before returning to their jobs with the Cooperative in Bolivia.

The I.C.A. announced early in the year that it would finance the engineering and construction of a $460,000 bridge over the Piray River as an aid to the development of the road system in the Santa Cruz area. Construction of this bridge on the highway between Montero and Portachuelo was expected to remove a major bottleneck in the highway system serving the fertile but underdeveloped Santa Cruz area. Thompson-Cornwall Inc., a New York firm which had done over $35 million worth of construction work for the Bolivian Government since 1951, was awarded the construction contract for the bridge by the Bolivian Development Corporation. Tippetts, Abbett, McCarthy, and Stratton Inc., also of New York and already at work on the Montero-Portachuelo Highway, was awarded a $30,000 consulting engineering contract for the bridge. According to an agreement with the Bolivian Development Corporation the consulting firm was to inspect and supervise construction operations as well as design the structure.

Toward the end of the year the Bolivian National Coordination and Planning Committee created a subcommittee on highways to coordinate the activities of several different and unrelated agencies. Members of the subcommittee

included representatives of the parent committee, the National Highway Department, the Bolivian-American Cooperative Roads Service, the National Militia, the Bolivian Development Corporation, and the Bolivian Highways Association. The National Sub-Committee on Highways was to carry out the following activities: (1) coordination of highway projects for the most effective benefit to the national economy, (2) continuation of studies for more efficient road maintenance, (3) acceleration of highway construction and maintenance, and (4) development of signs and signals for highways.

In 1955 a Bolivian-Peruvian Mixed Commission was created to supervise roads connecting the two countries. Early in 1956 the commission took steps to establish a technical division to survey and locate important highway segments crossing national borders and providing Bolivia with access to the sea. Scheduled for survey were roads connecting La Paz with the Peruvian cities of Ilo, Moquegua, Desaguadero, and Tacna.

A bus line connecting La Paz with Lima was authorized by a decree of March 9. The new service provided for two trips a week in each direction over the route La Paz, Copocabana, Puno, Arequipa, Lima and was operated by the Lima firm Empresa de Transportes Morales S.A. The 1,094-mile trip between the two capitals allowed for overnight stops at Arequipa and Puno. The first round trip was completed in April without incident in 56 1/2 hours. Bolivian Public Works Minister Angel Gómez García officially opened the two-nation service upon the arrival of the first bus in La Paz.

According to statistics released in 1956, Bolivia had 21,460 motor vehicles, including 5,900 passenger cars, 8,500 heavy trucks, 4,800 pickup trucks, 760 buses, and 1,500 jeeps as of December 31, 1955. Total vehicle registration showed a decline, for two years earlier the number of motor vehicles for the country was 22,470. The yearly traffic count for 1955 on some of the principal roads was as follows: La Paz-Puerto Acosta, 40,000; La Paz-Yungas, 36,500; Cochabamba-Santa Cruz, 16,422; Camiri-Santa Cruz, 4,000; Sucre-Potosí, 7,000; Sucre-Cochabamba, 6,000.

The first of over 50 Bedford trucks and vans ordered from Great Britain by the Bolivian Mining Corporation were put to work in the country early in 1956. Most of these vehicles had all-steel pickup bodies suitable for moving both personnel and equipment over rough terrain. The order also included water tankers and tipping trucks.

Bolivian railroads in 1956 were probably the weakest link in the country's transportation system. A survey made by transport authorities disclosed that there were more than 65,000 tons of foodstuffs and industrial equipment in Chilean and Peruvian ports awaiting shipment to La Paz at the end of September, but the underequipped and overtaxed railways were then unable to move more than 10,000 tons into Bolivia monthly. Large quantities of U.S. economic-aid commodities failed to reach their destination because of congestion at the Pacific ports and because much-needed freight cars were being utilized for temporary storage. An acute shortage of storage facilities existed in La Paz and other major cities. This lack of rolling stock and the general inadequacy of the Bolivian railway system served to aggravate the nationwide food shortage. To expedite foodstuff deliveries, the customs procedures and turnaround time for freight cars were speeded up, and the Antofagasta-La Paz railroad stepped up its average daily deliveries from 300 to nearly 1,000 tons.

A general reorganization of the Dirección General de Ferrocarriles, the Bolivian Government agency in charge of operating the three government-owned railroads and regulating the country's privately-owned railroads, was approved by the cabinet on July 5. In accordance with the new plan, all accounting and technical matters were to be performed in La Paz instead of at three branch offices and the central office at La Paz. It was hoped that this reorganization would lead to more efficient operation of the underequipped railways.

Early in the year construction was begun on a railroad between the two Lake Titicaca ports of Puno, Peru, and Guaqui, Bolivia. Peru appropriated about $35,000 for aerial photography of the border area which the railroad was to cross. Later in the year Arica, Chile, and La Paz were connected by a new Diesel passenger and express service. The trains were to operate on a 10-hour schedule between the two cities and run three times a week each way. Each coach had a 32-passenger capacity, air conditioning, heating, and buffet service. This service was expected to be well-patronized, for, since being declared a free port, the city of Arica, Chile was being visited regularly by a substantial number of Bolivians. Meanwhile Argentina was financing the construction of the Yacuiba-Santa Cruz railroad and the Orán-Tarija highway in return for daily deliveries of Bolivian petroleum in accordance with international agreements of 1942 and 1955 between Argentina and the Y.P.F.B.

In spite of these evidences of improvement and expansion, Bolivia in 1956 was still highly deficient in land transportation. The trend was toward air conveyance, and in some respects it seemed as though the country were skipping from the llama directly to the DC-4 in the evolution of its travel habits. As a result of congestion at Pacific ports, the government began studying the possibility of an airlift to transport vital foodstuffs to Bolivian cities. Following a request by the Bolivian Senate, Colonel Edmundo Vaca, civil aeronautics chief, conducted an investigation and reported that a fleet of nine planes borrowed from the national airline and Air Force could transport ninety tons of the most urgently needed supplies daily from Arica to Bolivian distribution centers. The I.C.A. authorized a grant of $125,000 for overhauling four Bolivian Air Force craft, obtained from the U.S. Government under the lend-lease program of 1948, and the planes were flown to Costa Rica for repairs. They were back in service in Bolivia in July. In working out a solution to the transportation problem, Colonel Vaca requested the assistance of specialists from the U.S. Civil Aeronautics Administration serving as technical advisors to the I.C.A. Meanwhile, the Bolivian Government announced the purchase of eight U.S. surplus B-17 Flying Fortresses to be used for carrying meat and other products between Beni and altiplano cities and from Arica, Chile to Bolivian airports. Several of the planes were already in the country by the end of the year. The total cost per aircraft, including repairs and conversion expenses, was approximately $75,000.

Air transportation saved the day in Santa Cruz when part of a prematurely ripened rice crop was almost lost because harvest machinery to be sent by surface failed to arrive on time. Pan American Grace Airways (Panagra) in Santa Cruz agreed to send a specially chartered DC-4 to meet the boat at Antofogasta, Chile and fly the machinery to its destination. The operation was carried out exactly as planned; the cost was trivial in comparison to the value of the products saved.

Air passenger service was also expanded in 1956 with the initiation of regular service between Bolivian and Colombian cities. The Colombian airline, Lloyd Aéreo Colombiano (L.A.C.) dispatched its first commercial flight from Bogotá to Cochabamba on April 19 and made the return trip the following day. Weekly service was to be provided along the route Bogotá-Leticia (Colombia)-Riberalta-Cochabamba. At Cochabamba, L.A.C. connected with the Lloyd Aéreo Boliviano (L.A.B.) flights to La Paz and, in conjunction with other airlines, to the capital cities of Chile, Uruguay, Paraguay, Argentina, and Brazil. Early in the year L.A.B. extended its DC-4 service to Yacuiba, Bolivia, and Salta Argentina.

Following the general inflationary spiral, domestic air transportation rates were raised during the year for passengers, freight and parcel post. The previous rate schedules had been in effect since September 1955. The average increase in 1956, according to the La Paz manager of Panagra, was 106 per cent.

The formal opening of the La Paz International airport was postponed until August, and final work on facilities was scheduled for completion by the end of the year. The General Office of Aeronautics obtained from the Central Bank and three private La Paz banks a second major loan of 800 million bolivianos to complete the work. This loan, like an earlier one which preceded it, was to be retired through collections of fees for airmail and air cargo, as provided in a government decree of June 30, 1955.

As a result of improved air service to Bolivia, efforts were made to develop the country's tourist trade. Completion of the new Copacabana Hotel in downtown La Paz solved the problem of insufficient first-class accommodations in the capital city. The owner and some of his associates announced that they expected to build a chain of small hotels in other Bolivian cities. Meanwhile the Bolivian Government reorganized its National Tourist Bureau and published two pamphlets in English to be distributed to Americans and other English-speaking tourists. The National Tourist Bureau was created in 1955 to promote travel and to afford travelers in Bolivia greater protection from theft and fraudulent merchants. Hotels and travel agencies were required to register with the Bureau and obey its regulations.

Communication facilities were also expanded in 1956. The country put into operation 1,000 of the 5,000 telephone lines called for in its contract with the Ericsson Company of Sweden. Operations under the contract, reportedly involving an expenditure of $1,113,000, had been underway for over a year and a half. Delivery of the remaining 4,000 lines, promised for April 1957, was expected to relieve the overloaded circuits in La Paz and suburbs and improve service generally.

Early in the year the government announced settlement of the Canadian-owned Bolivian Power Company's claim against the municipality of Oruro for the expropriation of that city's telephone system on December 31, 1952. The new contract provided for the telephone system's modernization by the Bolivian Power Company. In payment the company was to receive $126,500 within five years and have returned to it immediately the long-distance telephone facilities which it formerly owned.

From the preceding pages it cannot be denied that Bolivia made a certain amount of progress in expanding her transportation and communication facilities in 1956, but the fact remained that the average Bolivian still traveled on foot, relied on the llama to transport his goods and had little acquaintance with such modern inventions as the telephone and radio.

CHAPTER VIII

EDUCATION AND SOCIAL WELFARE

Before 1900, Bolivia's national expenditures for public education and for combating illiteracy and disease were infinitesimal. Few public schools were maintained and those largely by the municipalities. In 1944 the Institute of Inter-American Affairs began to assist the country in a program designed to improve and extend elementary and vocational education, and in 1956, for the first time in national history, the largest share of the national budget went for education.

Although in 1956 the emphasis was on rural education, a more functional curriculum in the schools, and fighting illiteracy, the general setup of the country's education system still followed the European pattern. Children from the ages of four to six could attend kindergarten. Supposedly compulsory education existed for children from the ages of seven through fourteen. Secondary education was divided into two levels, a four-year course of general studies and an advanced two-year course, usually in preparation for entrance into the universities. After completing elementary school, students could enter vocational schools if they chose not to go into regular secondary schools. Four years of secondary schooling could be followed by advanced artistic, vocational or technical education or university.

Until very recently, formal education of any sort in Bolivia was for the upper class only and was conducted largely in private schools. It consisted almost entirely of a study of the humanities. The Educational Reform Program effected by the Bolivian Government in the 1950's attempted to change this system and expand public education to the masses. Realizing that the ultimate raising of the country's standard of living depended upon education, the Paz Estenssoro government attempted to teach health and sanitation as well as the three R's to the nation's illiterate Indians. It put an unprecedented emphasis on the training of applied scientists and engineers, and tried to create a truly Bolivian pedagogy based on the writing of Franz Tamayo, noted twentieth-century Bolivian journalist and one-time foreign minister and President-elect. Tamayo died in July 1956 just as the fundamentals of his pragmatic philosophy of education were beginning to take root.

The government's program of Indian education incorporated in the general Educational Reform was aimed at teaching the nation's Indians new methods of farming and animal husbandry, improving their social and economic status, protecting their legal rights, and teaching them arts and crafts and the three R's. Efforts were made to break down ancient tribal superstition as well as to fight alcoholism. In August 1956 the Minister of Education announced the beginning of a ten-year campaign to combat illiteracy. He appealed to all private and civic organizations to help the government in this work.

Due to lack of sufficient textbooks and other teaching materials, elementary-school teachers in Bolivia were still following a stereotyped teaching

method in 1956. Typically, a teacher dictated to the class material which students copied verbatim into notebooks. Recitations consisted of repeating this material from memory. During the year, a staff composed of Bolivian and U.S. educational specialists worked on a plan aimed at revising the school curriculum. A reform commission completed a thoroughgoing outline for complete remodeling of the school system. Four experimental elementary schools were using a more functional type curriculum, and workshops were set up to improve teaching methods. Rural and Indian schoolteachers were being trained at the six rural normal schools located at Vacos, Santiago de Huata, Portachuelo, Canasmoro, Warisata, and Punata. Warisata was perhaps the most important school in this group, and, in addition to the regular course of study, held annual workshops which were attended by rural teachers from various areas. Each normal school was associated with a practice school where teachers could gain practical experience. The need for rural teachers continued to be very great, however, and the scarcity of certified rural teachers made it necessary to employ mostly provisional teachers or partially trained ones.

The National Teachers' College at Sucre and the Normal Superior Institute at La Paz trained elementary- and secondary-school teachers. Those wishing to become secondary-school teachers could also study at the Faculty of Philosophy and Letters at the University of San Andrés in La Paz.

Schools of arts and crafts were located in Potosí, Tarija, Santa Cruz, and Trinidad. La Paz, Sucre, Cochabamba, Potosí, Oruro, and Santa Cruz had institutes of fine arts. In addition, the country maintained special schools for handicapped children and adults, including two schools for the blind. There were also corrective institutions where children could learn a trade.

Bolivia's seven universities were the University of San Andrés at La Paz, the University of Cochabamba at Cochabamba, the University of San Agustín at Oruro, the University of Tomás Frías at Potosí, the University of Gabriel René Moreno at Santa Cruz, the University of San Francisco Xavier at Sucre, and the University of Misall Saracho at Tarija. All these universities, as well as those which might later be created, constituted the "Bolivian University." All these institutes of higher learning were, under national law, "autonomous."

The University of San Francisco Xavier, established in 1624, is the oldest university in the country and one of the oldest in the Western Hemisphere. In 1956 this institution of higher learning had faculties of law, political and social sciences, medicine, and economics, schools of languages and agriculture, and academies of fine arts and music. The University of San Andrés was divided into three institutes: social sciences, biological sciences and exact sciences. It was the only university having a faculty of philosophy and letters. In 1955 the I.C.A. allotted this university $300,000 for the establishment of a school of public administration for government employees. The University of Tennessee organized and operated the project. At the University of Cochabamba, commonly known as San Símon, the school of agronomy aimed at graduating students who could adapt themselves to the agricultural needs of the country and thus contribute to its agrarian development program. This university operated several experimental farms in 1956. The University of San Agustín at Oruro specialized in technology. Its faculties included engineering, economics, and a Polytechnical Institute.

A special West German mission arrived in La Paz in March to draft plans for establishing Bolivia's first real technical university. Meanwhile a cultural agreement was formulated by Bolivia and Italy. The program was to include the creation of scholarships for the exchange of university professors and students. In August, fifty specialists in housing and city planning terminated a six-months course at the University of San Andrés designed to train them in developing housing projects in Bolivian cities.

The country's cultural, scientific, and learned societies were sponsored by the various universities. One of the most notable of these was the Institute of Bolivian Sociology, under the University of San Francisco Xavier. The University of San Andrés sponsored the National Academy of History, and the University of Santa Cruz was the seat of the Society of Geographic and Historicalcal Studies. There were private geographical societies in La Paz and Sucre. In La Paz, cultural organizations included the Center of Philosophical Studies, the Bolivian Academy of Language, the Archaeological Society of Bolivia, and the Athenaeum of Bolivia. The Tihuanaco Institute of Anthropology, Ethnology, and Prehistory was connected with the National Museum.

The Amazonia Foundation, an independent, U.S. nonprofit scientific and cultural organization, announced in November that it would develop a center of nuclear physics at the University of San Andrés. Meanwhile a program of nuclear studies was already beginning to materialize at the Cosmic Physics Laboratory of Chacaltaya, a dependency of the University of San Andrés. The Amazonia Foundation also cooperated with this university in supplying equipment and scientific material for archaeological and geological studies. In December the Foundation announced that one of its archaeological expeditions had discovered ancient symbols in an uncharted jungle near the Amazonian headwaters. These symbols were believed to be recordings of a primitive civilization and were expected to shed new light on the existence of prehistoric writing in South America.

On the surface it appeared that the country's institutions of higher learning were doing an adequate job of disseminating knowledge. Actually, however, the universities were failing miserably in educating the nation's youth. Some of these universities were more places of political upheaval than intellectual centers. One U.S. professor of chemistry in La Paz reported that, because of negligible attendance, he was able to deliver only twenty-one lectures in six months. Students apparently attended classes only when they had nothing better to do. Their primary interest was politics. Professors were very poorly paid and of necessity most of them worked at other jobs and lectured at the University only when they found time. University administration was as unstable as student bodies and faculties. In 1956 the University of San Andrés had four rectors (presidents) in six months. In July a large section of La Paz students went on strike to demand the resignation of Gastón Aroaz, Rector of the University of San Andrés, whom they called an enemy of the student body. A month earlier a student member of the Falange was killed in a clash between Falangistas and M.N.R. supporters. Because of the tense situation the government closed the university for three days and appealed to students to avoid street fighting.

In October, student violence broke out again in La Paz in protest against measures taken by the government against Falange students and instructors. This time elementary and secondary school pupils joined university students in

anti-government demonstrations, despite severe measures taken by the government to enforce the state of siege proclaimed after the September hunger riots. The striking students stoned a Jesuit secondary school student in the center of the city in an attempt to get fellow students to join them in protesting the imprisonment of a number of their colleagues in connection with the September uprising. The jailed students had been arrested after being caught in a dragnet spread by police during the rioting on September 22. The October student demonstration was broken up by police with tear gas and a decree threatened severe penalties for students who failed to attend classes. Strikers faced the penalty of losing credit for the entire academic year. Nevertheless, for the remainder of the year La Paz students maintained a climate of unrest in the capital.

Other significant school strikes during the year included one in July by secondary students who walked out in support of demands that city authorities provide additional buildings to take care of overcrowded schools, especially the Colegio de Ayacucho. A month earlier a teachers' strike in Santa Cruz was satisfactorily settled when the Bolivian Ministry of Education announced that all back wages and compensation due to teachers would be paid. In October the teachers' union staged a general strike of all kindergarten and elementary school teachers after the government refused demands for a fifty per cent salary increase. The government had offered a forty per cent increase, but the teachers, who originally demanded a two hundred per cent boost, announced they would accept nothing less than a fifty per cent raise. The teachers finally agreed to return to their posts to facilitate the economic stabilization program under which they were promised significant salary increases.

In addition to expanding public and rural education, the government sought to improve the lot of the common man in other ways. Hospitals and clinics were going up in several urban and rural centers. Adult classes in hygiene were offered in rural areas, and a visiting nurse system was set up by the National Health Service. As in other areas, Bolivia was also receiving medical assistance from the United States. Bolivia's health problems continued to be great, however.

In the larger towns and mining centers breakfast was served to children in public primary schools. This service was directed by the Ministry of Labor through special employees in various towns. In addition, the Ministry distributed about four thousand of the white smocks worn by Bolivian school children to pupils whose parents could not afford to buy them. The school breakfast plan proved very satisfactory, and it was expected that other welfare services for school children, especially in the field of medical and dental care, would be provided as resources might permit.

A special social-worker school established by private initiative in 1946 with financial assistance from the Ministry of Education and the Ministry of Labor continued to train Bolivian social workers. The school's course of study covered a three-year program.

The country's mortality rate was fourth highest among the Latin American republics. In medical assistance, hospital facilities, and number of beds for patients, Bolivia ranked seventeenth from the top. The country's birth rate, on the other hand, was about eighth highest among the twenty republics.

Bolivia seemed to have almost all the health problems represented in South America--those accompanying the rarefied atmosphere of high altitudes as well as the malaria and fevers endemic to the jungle. Moreover, the people were appallingly poor and such poverty continued to breed disease. The effects of mining upon the mine workers were also detrimental. Silicosis and tuberculosis and the lack of adequate protective devices in the mines continued to contribute to the disabling of miners.

One of the country's greatest needs in 1956 was for more education and social welfare. The fact that about 80% of the workers were illiterate was an adverse factor in industry. Incentives operating in the case of the educated occidental worker scarcely applied in the case of the common Bolivian. His lack of education prevented him from becoming a consumer of most of the products of mechanized industry and contributed to his poor health, poor housing, and very low standard of living. In many ways his condition was, in fact, probably inferior to that of his preconquest ancestors.

CHAPTER IX

SUMMARY

The year 1956 appears to have been of great significance in Bolivia. For the governing M.N.R. it was a year of consolidation and growth in some respects; yet at times the Party's very life was being threatened from within and without. Powerful forces from both the left and the right were bent on bringing about the downfall of the government, but the M.N.R. won a resounding victory in June in the country's first general election with universal adult suffrage. In the months before and after June, the government demonstrated its desire for an amplification of democracy by declaring a general amnesty and allowing opposition parties to operate openly.

However, when in September violence broke out in La Paz in the form of a hunger march, President Siles Zuazo publicly proclaimed that hostile acts would not be tolerated, and democratic guarantees gave way to ruthless suppression of opposition forces. Anti-government forces quickly called the new policy a wave of terroristic totalitarianism, but government spokesmen declared that the opposition had demonstrated its inability to understand true freedom. This basic conflict between democratic government and civil liberties seemed to characterize well the whole 1956 political picture in Bolivia. The M.N.R., which probably afforded the most representative government in the country's history, found itself unable to maintain its position without resorting to oppression! When, at the end of the year, there were rumors that a genuine revolution was being planned to overthrow the government, and strikes were blocking economic reforms, President Siles Zuazo won workers' support by going on a personal hunger strike to enforce long-needed economic controls.

The year 1956 was one of great economic upheaval. By the end of November the boliviano, originally officially pegged at 190 to the U.S. dollar, was selling at 13,200. The spiraling inflation was accompanied by a series of strikes in which workers demanded wages proportionate with constantly rising prices. A National Stabilization Council was formed in May in accordance with an agreement between the U.S. and Bolivian Governments to study means of strengthening the country's wild economy. Upon the recommendation of a special U.S. stabilization advisory team, drastic measures were taken during the latter part of the year to curb inflation. Early in December President Siles Zuazo, acting under special powers, issued four executive decrees which freed foreign exchange and foreign trade from existing restrictions, established a single exchange rate for each foreign currency to replace official and free market rates, placed import duties on an ad valorem basis, increased wages to levels that would be frozen for one year, and fixed a new system of royalties on metal exports. To facilitate the country's stabilization program, the International Monetary Fund and the U.S. Government agreed to give Bolivia a $25 million stabilization loan, not included in the regular $23 million U.S. aid program for Bolivia in 1956. In return Bolivia agreed to stop printing currency, to boost taxes, to freeze all hiring in the mines and let the payroll drop back through attrition, and to drop price controls and food subsidies.

Mining remained the country's major source of foreign exchange, but the industry lagged in 1956 because of lower world tin prices, low tin content of the ores, diminishing tin deposits, and indiscipline among miners. Upon the recommendation of a New York consulting firm, Ford, Bacon and Davis Inc., the government-operated Bolivian Mining Corporation was reorganized, and its relations with the executive power were henceforth to be conducted through the Ministry of Mines and Petroleum. Mineral production in 1956 in general followed the trend of a long-term decline. There was some speculation that, in view of the industry's financial failure, Bolivia might enact a new mining code in 1957 with the aim of attracting foreign capital.

Petroleum production, on the other hand, showed significant increases. Under a new petroleum code, foreign capital was welcomed for the first time since Standard Oil of New Jersey was expropriated in 1937. Gulf Oil Corporation signed a 40-year exploration and exploitation contract, and Shell Prospecting Company, Ltd. received a permit for a geological survey. Considerable progress was made in the construction of pipelines, and negotiations were made with neighboring nations for the export of Bolivian petroleum.

The majority of Bolivians were engaged in agriculture in 1956, but, in spite of efforts to boost production, farming was still of little commercial importance. Subsistence farming was most common. A joint Bolivian-U.S. agricultural mission continued its program aimed at developing all fields of agriculture throughout the country, and some progress was made in populating the country's more fertile lowlands, but freak weather conditions, inflation, and lack of transportation facilities contributed to an actual decrease in production. Even potatoes, one of the country's leading crops, had to be imported.

In keeping with its program of economic diversification, Bolivia made certain strides in 1956 in the development of light industries, and efforts were made to attract foreign capital in the construction of various factories.

The country's transportation problems remained acute in 1956, although a Bolivian American Cooperative Roads Service worked to maintain 1,250 miles of highways and began the construction of several new roads. Regular bus service was initiated between La Paz and Lima, Peru. An airlift was considered to be a likely solution to the problem of delivery of foodstuffs from congested Pacific ports to inland cities.

Although for the first time in the nation's history the largest percentage of the national budget went for education, 80% of the adult population remained illiterate. Medical and social welfare facilities were being expanded, but Bolivia's mortality rate was fourth highest among the Latin American republics.

Characteristically, President Siles Zuazo spoke of his problems as "four big battles"--for national unity, against inflation, for increased production, and against illiteracy. In 1956 he dared to undertake some of the unpopular measures he considered necessary to fight these battles. He once told a Chilean newsman when he was Vice-President, "One always knows how one enters the Presidential Palace, but never how one is going to leave it." To some, his words seemed to strike a prophetic note. At the end of the year the picture was still too confused for anyone outside the country to pass a fair judgment. The situation could only be watched with anxiety and hope.

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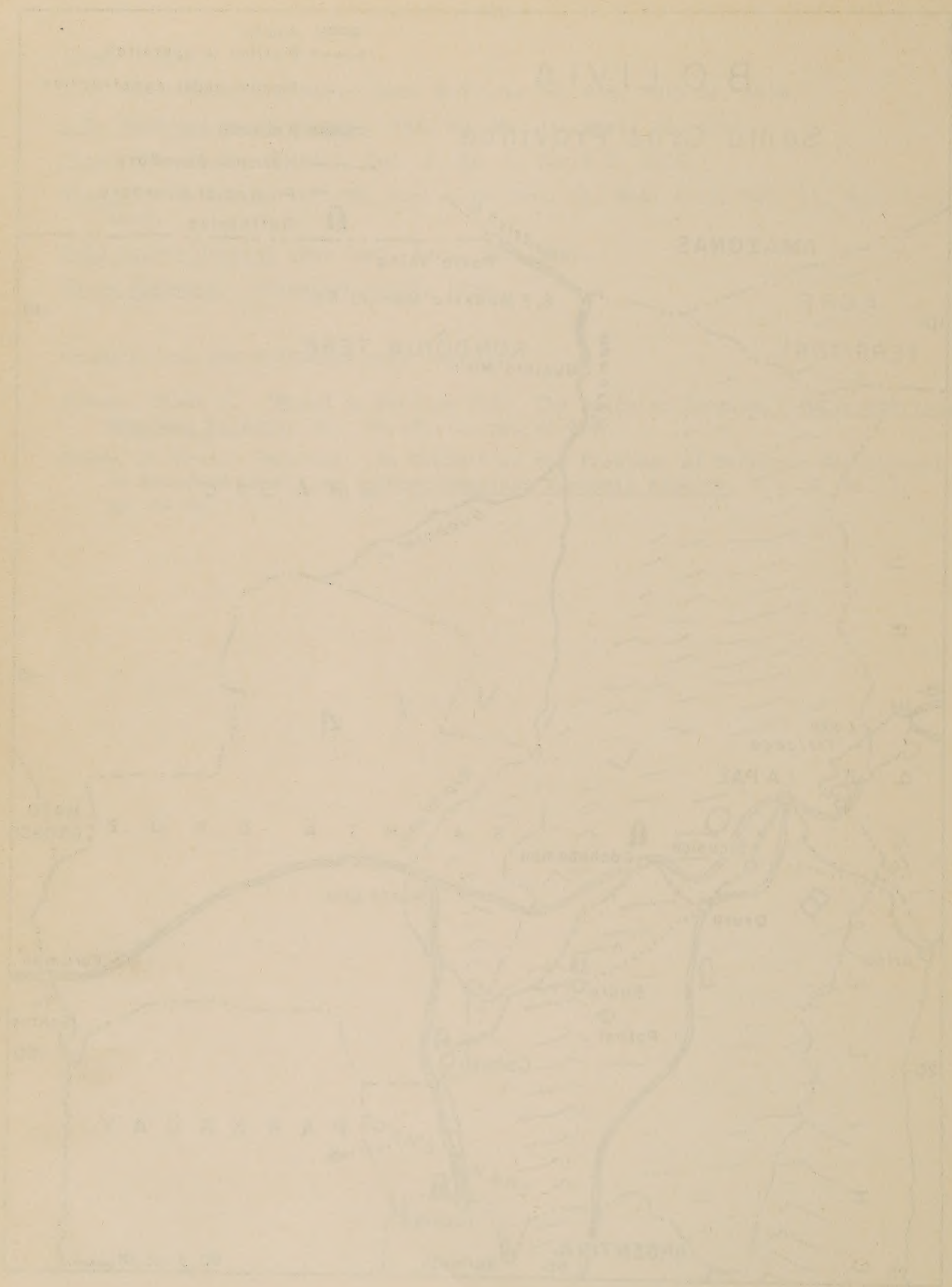
BOLIVIA
Santa Cruz Province
Roads
Pipeline in operation
Pipeline under construction
Railroad
National Boundary
Provincial Boundary
Refineries
AMAZONAS
ACRE
TERRITORY
Madeira R.
Porto Velho
E. F. Madeira Mamoré R.R.
RONDÔNIA TERR.
Guajará Mirin
Mamoré R.
BRASIL
Guaporé R.
PERU
Lake Titicaca
LA PAZ
Río Grande
SANTA CRUZ
MATO GROSSO
To Ilo
Sicasica
Cochabamba
Oruro
Santo Cruz
Arica
Corumbá
Sucre
To Santos
Potosi
Camiri
CHACO
PARAGUAY
GRAN
Yacuiba
CHILE
ARGENTINA
Bermejo
10
15
20
70
65
60
J. Williams



HISPANIC AMERICAN STUDIES AT STANFORD UNIVERSITY

The Hispanic American Studies program at Stanford University is an area or regional program in that it concerns itself with a definite area—Spain, Portugal, and Latin America—but this is a cultural rather than a geographical region. Like that old and well-established subject philosophy, it synthesizes several disciplines. It may be compared with other inter-departmental subjects such as biochemistry and engineering mechanics.

The program originated in the language department; the study of a foreign area without a mastery of the language of that area is comparable to engineering without mathematics. More than the ability to decipher a written text is involved. One of the most valuable and indeed most difficult of modern techniques, the use of native informants, requires a good command of the spoken language. Authorities from Spain and Latin America regularly address the Hispanic World Affairs Seminar in Spanish or Portuguese and engage in discussion with members of the seminars. The Hispanic American Studies program strives to bridge the dangerous gap between the humanists and the social scientists.

Geography plays an important part in the program, since it is impossible to understand a civilization without knowing the geographical basis on which it rests. This is especially true of an area such as Latin America, which is so often described as having a "telluric" culture.

Every program must have a focus, depending on the idiosyncracies of the civilization studied and on the peculiar interests which have developed at any given institution. The predominant obsession of the Hispanic world today is politics—not the abstract variety which flourishes in more metaphysical lands, but a peculiarly personalist brand, involving a day-to-day struggle in which revolution and unrest are often accompanied in a paradoxical way by economic and social growth. The study of the political, social, and economic development of the area is the theme of the *Hispanic American Report*, the monthly publication of the program. The training on the *Report* staff is the core of the advanced program in Hispanic American Studies at Stanford; the minute analysis this provides is as fundamental as the continual use of a microscope by a biologist. Advanced researchers may be appointed assistant editors and are trained to write for internationally recognized publications. All students who complete satisfactorily a year's work on the *Report* staff receive a certificate.

Other disciplines contribute to the symposium which constitutes Hispanic American Studies. While the advanced program stresses the contemporary scene, the history requirements in the undergraduate program provide a background for this study. The Economics and Political Science Departments affords valuable assistance to the *Hispanic American Report*, as does that of Biological Sciences. The Department of Anthropology has developed a special interest in Brazil. The School of Education is keenly aware of the importance of the academic study of the realities of the contemporary world. Last but not least, the School of Mineral Sciences has several senior professors who have had long experience in Latin America, and, in view of the importance of mining in the political, social, and economic life of Latin America, our relations with that School have been close and cordial.

The requirements for the A.B. and A.M. in Hispanic American Studies are as follows:

BACHELOR OF ARTS

Language: The sequence of reading and composition courses, terminating with third-year Spanish Composition and Conversation (Romanic Languages Sp111, 112, 113)

Civilization: The Hispanic World (Romanic Languages 142–148) ..... 10 units

Geography: Geography of South America (Geography 120, 5 units) and Geography of Middle America (Geography 121, 3 units) ..... 8 units

Literature: Two courses on Spanish or Spanish American Literature ..... 6 units

History: Latin America: the Colonial Period (History 117, 5 units) and Latin America since 1810 (History 118, 5 units) ..... 10 units

Inter-American Relations: Latin-America and the United States (Political Science 138, or an equivalent course, 5 units) ..... 5 units

Anthropology: Cultural Problems in Latin America (Anthropology 158, or an equivalent course, 4 units) ..... 4 units

Students who wish to minor in any special field of interest may do so by completing 16 units of work in that field.

MASTER OF ARTS

Candidates for the Master's degree in Hispanic American Studies must fulfill satisfactorily the following requirements:

1. A reading, writing, and oral knowledge of Spanish or Portuguese, and a reading knowledge of the other of these two languages.
2. A satisfactory completion of courses followed. A minimum of 36 units is required with a grade of A or B, not including credit for the thesis.
3. A thesis on a regional subject, for which 9 units of credit are granted.
4. The student's program will stress the language, civilization, literature, geography, history, and political affairs of modern Spain and Latin America, with special reference to one of the following areas: Spain and Portugal, Mexico, Central America, the Caribbean republics (Cuba, Dominican Republic, Haiti), Gran Colombia (Colombia, Ecuador, Venezuela), West Coast countries (Bolivia, Chile, Peru), River Plate countries (Argentina, Paraguay, Uruguay), or Brazil.

DOCTOR OF PHILOSOPHY

There are two Ph.D. programs, one given under Graduate Division, Special Programs, and designed to meet the needs of individual students, the other under the Department of Germanic and Romanic Languages, for candidates planning to teach Spanish. For further details, write to Hispanic American Studies, Room 255, Stanford University.

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